

075043

JPRS-EEI-84-013

25 JANUARY 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

DISTRIBUTION STATEMENT A
Approved for public release
Distribution Unlimited

REPRODUCED BY
NATIONAL TECHNICAL
INFORMATION SERVICE
U.S. DEPARTMENT OF COMMERCE
SPRINGFIELD, VA. 22161

19980306 014

DTIC QUALITY INSPECTED

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

5
80
A05

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

25 January 1984

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

CONTENTS

CZECHOSLOVAKIA

Significance of Set of Measures for Economic Intensification Viewed (Ladislav Matejka; NOVA MYSL, Oct 83).....	1
Union Role in Plan, R&D Acceleration in 1984 Reported (PRACE, 8 Dec 83).....	16

GERMAN DEMOCRATIC REPUBLIC

Budget for 1984: West German Discussion (FRANKFURTER ALLGEMEINE ZEITUNG, 9 Dec 83).....	41
--	----

HUNGARY

Prelude to Further Reform: '84 Regulators (Matko Istvan; MAGYAR HIRLAP, 29 Nov 83).....	43
New, Dual Purpose Credit Policy Begins in '84 (NEPSZABADSAG, 21 Dec 83; FIGYELO, 22 Dec 83).....	46
National Bank Views, by Rezso Palkovits Flexible Internatinal Mechanism, by Laszlo Body	
Results, Tasks of Energy Rationalization Program Examined (Gyozo Wiegand Interview; HETI VILAGGAZDASAG, No 45, 5 Nov 83).....	56

POLAND

Plan for 1984 Rated on Manpower, Income Policies (Ada Kostrz; RZECZPOSPOLITA, 8 Dec 83).....	60
---	----

More Government Aid Urged for Port of Szczecin (Marian Rubinowicz; TECHNIKA I GOSPODARKA MORSKA, No 10, Oct 83).....	62
Economics Society Members Bemoan Floundering Reform (RZECZPOSPOLITA, 16 Dec 83).....	68
New 'Ursus' Foundry Commissioned in Lublin (RZECZPOSPOLITA, 16 Dec 83).....	70
Firm Execs Meet To Air Complaints Over Central Planning Constraints (Marek Misiak; ZYCIE GOSPODARCZE, No 45, 6 Nov 83).....	71

SIGNIFICANCE OF SET OF MEASURES FOR ECONOMIC INTENSIFICATION VIEWED

Prague NOVA MYSL in Czech Oct 83 pp 46-60

[Article by Ladislav Matejka]

[Text] An inseparable part of the economic policy of the party in realizing the strategic line of recent congresses of the CPCZ, oriented toward intensive economic development, is the improvement of the System of Planned Management of the National Economy. The System of Management of the National Economy influences the course of reproductive processes to a significant extent. That is why the CPCZ has paid lasting attention to the questions of its improvement in all stages of socialist construction and why it directs to them even further the activity of managing practice and socio-scientific one activity, primarily on the economic theoretical front. The character of the tasks in the present stage of socialist construction, the attained state of development of the forces of production, places new tasks before the management system, the successful mastering of which requires a qualitative change of its individual elements so that they can be in harmony with the new conditions. Both theory and practice of socialist management show that for the management system to be fully effective it has to correspond to the fullest with the attained level of forces of production at every stage and have an effect harmonious with the whole complex of production relations. This involves primarily the degree to which it fulfills the basic goal of socialist production, i.e., satisfaction of the material and cultural interests of human needs; it further involves the harmony of economic interests of the whole society with the interests of collectives and individuals, and, last but not least, a lasting growth in the effectiveness of social production, which testifies to the degree of achieved harmony between the management system and the concrete collective production conditions.

The results which we achieved in economic and social development in the previous stages of socialist construction give convincing proof of the merits of our social order. These merits are realized thanks to our purposeful activity oriented toward the party-formulated goals of social development. Its effectiveness is, of course, determined by the degree of understanding of economic laws and by our capability to make use of them in practice under concrete conditions. That is why we must react with flexibility to the new conditions and to the arising problems also in the System of Management.

The 15th Congress of the CPCZ has formulated the tasks in this area as follows: "To develop and improve further the management of the national economy so that it more efficiently helps increase development effectiveness by more consistent application of scientific-technical progress and socialist economic integration, that it mobilizes reserves for that purpose, encourages growth in labor productivity, improvement of production quality, creative forces and initiative of the workers." To accomplish these conclusions of the 15th Congress, the highest party organs and the CSSR Government accepted the Set of Measures for Improvement of the System of Planned Management of the National Economy after the year 1980. This document represents an important step in the development of the whole economic mechanism in harmony with the general economic-political line of the party. Its acceptance started a significant stage in the process of adjustment of the System of Planned Management of the Czechoslovak National Economy to the conditions of intensification. The elements which in the past served to stimulate the extensive factors of development have been eliminated from the system or suppressed. On the contrary, elements supporting orientation toward a largely intensive development have been strengthened in the system or newly introduced into it. In the preparation of the Set of Measures, experiences which had been gained in the testing of new elements of the system in the course of the complex experiment in the management of effectiveness and quality in the years 1978-1980 were used, and so were experiences which other socialist countries, especially the USSR, have had in solving similar tasks. About the character of the Set of Measures and the significance of its consistent realization for further economic development Comrade Husak said at the 16th CPCZ Congress: "Its principal meaning is to put through an intensification of the national economy, to apply more decisively the results of the scientific-technical revolution, to stimulate efficient and quality work more effectively, to create the most favorable conditions for the all-round creative activity of people. This is the way toward a fuller utilization of the merits of socialist economy, toward achieving the best national economic results in the interest of the development of the material and cultural standard of the people."

The basic intentions of the Set of Measures were oriented toward the creation of prerequisites for stronger planning of economic development, toward a higher perspective of planning, toward the orientation of the plan for the quality aspect of the reproduction process, toward the securing of proportionality and interdependence of plans, strengthening the influence of science and technology on economic development, increasing the effectiveness of reproduction of basic means and securing the growth of efficiency. The Set of Measures has oriented economic practice toward an increase in khozraschet efficiency, improvement in the system of rewards by merit, an increase of economic pressure on the volume and effectiveness of export, an increase in the influence of the price and credit system on the formulation of more demanding effectiveness criteria, and a more consistent application of khozraschet rules within enterprises and plants. A number of measures have been directed at the improvement of organization and methods of work management and at deepening and improving workers' participation in management.

The backbone of the System of Management is planning, which is the principal instrument of the realization of the party's economic policy. A high plan quality objectively reflecting the optimum tasks and proportions, chosen on the basis of effectiveness criteria, together with the achievement of high material and value interdependence of plans of all degrees, figure in a centrally planned socialist economy as the decisive factor of efficiency of all other links in the System of Management. On the other hand, however, the plan as one of the parts of the System of Management, even though it is the most important part, can insure an acceleration in the tempo of the socioeconomic development and an increase in production effectiveness only in conditions of harmonious activity of the whole complex of methods, stimuli and organization forms of the System of Management. From this also results the necessary demand for a complex approach to the solution of questions on the improvement of the Management System.

In the improved System of Management the decisive role in the planning process is attributed to the 5-year plan. The matter here is the realization of a scheme to make the 5-year plan determine the concept of development, principal tasks and conditions of economy for individual economic objects. That way the principle of harmony of the length of time frames the plans with characteristics of the objects (tasks) of the planning is also respected. Thus, for instance, the life cycle of innovations in most sectors evidently exceeds the period of 1 year so that annual plans do not provide adequate room for an evaluation of the economy of enterprises and their interest in a long-term increase of effectiveness.

In accordance with the demands for intensification, the 5-year plan is oriented more than previously toward the quality aspect of the reproduction process. The Set of Measures demands that in its formulation the factors of effectiveness growth, technical-economic parameters and norms requiring a minimum level which is necessary to be reached at the end of the planned period, be applied as criteria on all management levels.

Introduction of the indicator of own achievement as the principal indicator for an evaluation of the enterprise merits, and their share of labor in the results of national economy, has had a great impact on the increase of the positive influence of the economic mechanism on development intensification. The indicator in question is the one of pure production type which replaces the formerly used indicators of gross production and production of goods. From its level is derived the basic component of the wage fund of the enterprises. The method of the formulation of this indicator produces substantial economic pressure on savings and higher valuation of materials and energy, and also on the abolishment of superfluous cooperation. Together with this the rentability indicator of production funds, in which economic results achieved in relation to fixed and current assets of the enterprises are projected, figures as a criterion of the behavior of the khozraschet sphere, under conditions of intensification. From this indicator is derived the variable wage fund component of the enterprises.

A similar change of the concept of measuring and evaluating production growth of enterprises has taken place in almost all systems of management of socialist economies. The former System of Indicators did not sufficiently stimulate savings in material inputs and, inversely, a non-effective growth of material consumption and purposeless cooperation served as a means for improvement of gross production type indicators, with the help of which economic results were measured. Of interest in this connection is also a discussion in the USSR at the beginning of the 1920's, when there were already serious doubts about the suitability of using gross production indicators to measure production growth and labor productivity.

An effort is being made also to perfect structural balancing, which in its entirety is supposed to create better conditions for securing material- and value-related equilibrium in the national economy. To secure proportionality of plans and a higher standard of their interdependence and harmony, a compulsive system of value and material balances is being established, primarily one of structural and consumption balances. Also the function of the system of supply and demand coordination and import marketing coordination has been strengthened. A necessary condition for the effective application of the balance method in solving all aspects of plan proportionality is a systematic establishment and continuous control of the norms of material consumption, energies and physical work together with the norms of capacity. Of course, no less important is the stabilization of supplier-buyer relations between VNJ's [economic production units] and enterprises in the production process, and the realization of plans and their contractual protection with regard to the fact that a complete harmony between buyers' needs and suppliers' possibilities cannot be secured by a central balancing only, the rational extent and effectiveness of which clearly have their limits. An increase of the role of the 5-year plan, essential as much for more effective management of scientific-technical development, cadre preparation for capital investment and structural changes as for strengthening long-term responsibility and involvement of the economic sphere, is the more complicated the faster economic conditions of our development (especially the exterior ones) change. In spite of serious problems arising from this, binding tasks and limits were specified in the year 1982 for the enterprises, and from them norms of material stimulation in the area of wages and investments for the period of the Seventh 5-Year Plan were derived. This created the basic conditions for securing a direct relationship between the 5-year plan and annual plans in the way which the Set of Measures anticipated, especially in connection with the counter-planning.

With the tasks of improving the quality of planning are intermingled in the Set of Measures the tasks aimed at exploiting science and technology as the most important intensification factor. On all levels of management an organic linking of the plan of technical development with other parts of the national economic plan must be enforced, especially with the plan of production, the planned works and reproduction of capital assets. The goal is to make the plan of scientific-technical development become the axis of the National Economic Plan.

The basic orientation of the Set of Measures, therefore, had the purpose of making the plan express a unity of technical and economic development. The ensuring of a realization of results of research and development in production and the projection of contributions of scientific-technical development into the tasks and indicators of the production plans, investments, etc. is considered the decisive criterion. The role of the center at the same time is to determine the main direction of research on the basis of the needs and interests of the whole society, to set quality and effectiveness parameters of the resulting solutions and to enforce them in the khozraschet sphere through a suitable combination of direct tasks, orders or limits and economic tools.

One of the important parts of the Set of Measures in the area of planning improvement is the orientation toward strengthening the goal-oriented program approach, which is of great importance from the viewpoint of the preparation of a concrete development strategy and of the management of socialist economy derived from it, in long-term, medium-term and short-term time frames. The goal-oriented program approach stems from an analysis of mutually conditioned chains of activities, is tied up with the prognoses of further development of our society and directs human and material processes during the plan realization. The starting point for drafting programs as new plan tools for a realization of the chosen goals is a certain, socially desirable future. The goal-oriented program management, the target of which are the concrete tasks and goals of significant social importance. It is expected that this will help solve problems arising from the growth of the extent and complicity of the social economic system. Basically we are talking about application of the method of the principal link complemented by a modern methodological apparatus.

The application of khozraschet principles is in a very close relationship with an increase of labor effectiveness of individual subjects in the enterprise economy sphere, concerning as much the maximum purposefulness of manufactured products as socially necessary costs. The system of economic khozraschet relationships is supposed to lead the VHI's and enterprises to assume greater responsibility for the total results of the economy. The strengthening of khozraschet principles is connected with a number of gradual modifications in the system of levies for the national budget, with a stronger role of stimulative enterprise funds, with the creation of better conditions for enterprise khozraschet management and with better utilization of finances and credit for influencing the management of VHI's and enterprises.

In spite of contemporary fluctuations in economic conditions, it is necessary to develop khozraschet further on the basis of the 5-year plan and of economic norms for the foundation of enterprise funds derived from it. At the same time, though, the ties between incomes of the organizations and the level of planned and actually achieved results should be steadily strengthened. The mere tying of incomes to the fulfillment of planned objectives, without any regard to their progressiveness, stimulates acceptance of low plans and thus to a great extent makes good enterprises equal

to bad ones. At the same time, one has to consider the fact that flexible reaction by enterprises to changes in demand in economic development and in economic conditions in general requires a corresponding flexibility in the reaction of the whole managing area and, last but not least, also flexibility in the application of management tools.

Khozraschet effectiveness is closely related to the principle of rewards by merit, i.e., rewards according to actually performed work and according to the effect on society. The Set of Measures has provided a number of prerequisites for its realization. However, realization of the abolishment of wage uniformity has not yet been successful to any practical degree for a variety of reasons. These are: shortcomings in organization and work control, lack of objective norms for work consumption and other measurements of merit, neglecting merit at times of labor force shortages which kept appearing in the period of extensive development, mixing efficiency and social angles, influence of egalitarian ideas, avoidance of conflicts, a small margin of average pay increments from one year to another, etc. For more effective enforcement of merit principles it will be necessary to analyze a number of additional factors which are hampering the effectiveness of all applied forms of stimulation. We are talking about shortcomings in development proportionality, especially in the balance between needs for and sources of labor force in individual areas of the national economy, in the balance in the domestic market, in services, investments, etc. These then lead to an undesirable overdistribution of money within the population, to a growth of extra incomes gained in ways which contradict the socialist principles of rewards and thus lower the effectiveness of basic motivation channels.

A very significant role in the improvement of the System of Planned Management of our economy is played by the mobilization and exploitation of initiative, abilities, experience and knowledge of the lower management levels, with the goal of discovering the inner reserves of economic organizations, first in the period of drafting and later in the realization process of the plans. What we mean is further deepening and quality improvement in the participation of workers in management and administration of enterprises and VKhJ's, in the improvement of labor organization, in raising the effectiveness of economic incentives and utilizing the means intended for economic, social and cultural development of collectives. This presupposes a systematic improvement in the application of the principle of democratic participation of workers in management. In this way it is necessary, in harmony with the party's directives, to increase the share of the workers in the realization of CPCZ policies in the economic area.

Deeper participation of labor in planned management fully corresponds to the very substance of the socialist order of society and to the principles of the party program. At the present time workers' participation in management looms as a powerful factor of permanent influence in the acceleration of socioeconomic development, the search for and mobilization of effectiveness reserves and the fight against subjectivism and bad management. An important incentive in this direction is the law of work collectives and of the increase of their role in the measures adopted in

the USSR. The forming and deepening of the sense of responsibility of the manager grows in importance not only within the framework of the collective but also as measured by higher units of organizations and the whole economy. Only the sense of social responsibility of the manager for the sector entrusted to him will make it possible to achieve a basic strengthening of the discipline of labor, technology and planning. This demands a stronger party and social control of ruling organs, strict obedience of laws, especially of the economic code and of the rules of the economic mechanism. Of great importance here is also a consistent overcoming of formalism in the assignment and control of the plan, tasks in the khozraschet or in workers' participation in management.

The Set of Measures and the adopted documents have created conditions for the achievement of a fundamental turn in organizing workers' participation in the preparation of 5-year plans and mainly the annual plans. With the participation of party, union, youth and other social organizations it is necessary further to win workers over to active cooperation on counter-planning in the initiative-based acceptance of increased tasks above the scope set for the annual plan by the 5-year plan while upholding the basic source limits. We are talking primarily about an increase of tasks which, under a given collective's conditions, is made possible mainly due to the more efficient exploitation of intensive factors in the growth of productive effectiveness. But it is also necessary to develop further forms of participation by workers in management and also to orient the socialist competition of collectives, plants and enterprises correctly. The principal direction in the orientation of workers' initiative must steadily lead to quality development indicators, to quality improvement of products, to their export potential, to savings and higher valuation of energy, raw materials and materials in the process of production.

In the development of workers' initiative an important role is played by their participation in the evaluation of achieved results, in the elaboration of measurements and criteria of their valuation. Here workers' participation creates essential prerequisites for wage differentiation. Workers should be systematically informed about concrete consequences of the degree to which the planned tasks have been accomplished in volume, quality and assortment for the purpose of collective and personal material motivation, and about the consequences of the fulfillment of deliveries to customers and to the whole economy. Workers in the economy should be also evaluated on the basis of results achieved in the development of workers' creative initiative.

An initiative approach to improvement in management must of necessity be connected with the struggle for the fulfillment of tasks in the development of the economy, especially where exploitation of reserves through its intensification is concerned. At the 26th Congress of the CPSU, the difficulty of the transition to intensive development was compared in its quality to the most demanding tasks realized during socialist construction. The intensification period is in its importance and demands comparable to the period of industrialization or to the period of the collectivization of agriculture. It is emphasized that what is primarily involved is a change in the thinking, acting and behavior of the people in such a way that it corresponds to the conditions of intensification.

An improved System of Planned Management has been practiced in industry and a majority of the branches of the national economy since 1981 (in agriculture and in the area of services managed by national committees, specific provisions have been worked out and introduced since 1982). The effect of this is the object of an ongoing evaluation, and annual complex analyses offer valuable pieces of information which will be utilized in harmony with further developing factual conditions for setting and further developing of the Set of Measures.

Even though the completion of planned tasks and the total economic development in the first 2 years of the 5-year plan was influenced by a great number of additional important factors of both an objective and a subjective nature, the achieved economic results are to a great extent a reflection of the influence of the System of Management in the broad sense of the word, and thus also one of the principal criteria of the success of the Set of Measures in the intensification process of our economy's development. Nothing is changed by the fact that the Set of Measures could not yet be realized consistently in the whole complex in the first 2 years and that difficult economic conditions made more operative interventions than expected necessary in the enforcement of rules of the management mechanism in economic organizations.

The influence of the Set of Measures on meeting the needs of the national economy was on the whole positive. Production destined for final use (market funds, export and deliveries for investment development) grew faster than the total production. While these results were favorable, the upholding of the structure of the economic destination of production has not been successful, even though the observance of the planned structure of production and its use is secured by the obligatory setting of these tasks and by their inclusion among the most important criteria of evaluating the plan's fulfillment. Also linked with them is the monetary stimulation primarily of the leading workers of the VJH's and enterprises, and they figure as a condition for allocating means to motivation funds.

Among the factors weakening the effectiveness of these instruments belong most frequently the difficulties in mastering production in new capacities, problems in meeting material needs of production and difficulties in coping with worsened sales possibilities in foreign markets.

The planned production management was disturbed most by lasting weaknesses in supplier-purchaser relations, difficulties in the harmonizing of plans on the horizontal level between enterprises and VJH's, consequences of cuts in imports and the small responsibility of suppliers for supplying the national economy. Through the widening of material balancing and the coordination system a partial improvement in supplier-purchaser relations and an increase in their stability has been attained. However, improvement in the planning, contractual and delivery discipline is still slow. The concluding of long-term economic agreements anticipated in the Set of Measures has practically not yet asserted itself.

In the area of scientific-technical development and of quality improvement we have reached only partially positive results in the last 2 years. Partial improvement has appeared in the fulfilling of the State Plan of Scientific-Technical Development; the direction of tasks corresponded more to the needs of the national economy. We have not been successful, however, in concentrating forces on the solution of significant research and development tasks.

The Set of Measures has increased the plan's influence on the whole process of scientific-technical development. A relatively detailed system of planning, coordination and securing of scientific-technical development in all linkages, up to its final realization in production, was established according to the evaluation of the Eighth CPCZ Central Committee Plenum, no practical contribution of this system has yet clearly appeared. Neither has the System of Management further stimulated sufficient interest on the part of producers in technical progress or in results of research and their implementation. On the other hand, insufficient interest appears to exist in the scientific-research base in the implementation of its work. Insufficient pressure in this direction is also being exercised by domestic and foreign trade.

An indication of progress has been shown in the rise of technical standards and the quality and innovation of products. There is a mild increase in innovation activity and in the value share of new products in the production of goods. The product share of high technical standard in new products amounted to 21.5 percent in 1981 and to 25.9 percent in 1982. Of course, these results do not yet comply with the needs of the Czechoslovak economy. The achieved results were partially positively influenced by the obligatory plan commitment, but it was not possible to influence the development more strongly even with intensified monetary incentives oriented primarily toward subsidizing products of first degree quality, technically advanced products, fashion and luxury products and export effectiveness. Possibilities of price penalizing are insufficiently utilized. Thus, for instance, the volume of means of price penalties in enterprises for products of third degree quality and technically obsolete products amounted to only a little over 2 percent of the price subsidies volume. In this connection it is necessary to mention that demands in judgment of quality, technical standard or style of products should be raised to such a degree that standards in world markets more and more become the criterion.

Information gained in the previous period indicates that the management of scientific-technical development as the primary course for raising the effectiveness of the national economy will require a further intensification not only from the system's point of view but also from the viewpoint of direct management backed by technical-economic pertinent decisionmaking. Even the whole social pro-innovation climate must play its role here (from the point of view of a fluent flow of lower grade innovations), as must central management in clarifying the prospective directions and the structural development of our economy (from the point of view of a concentration of effort on the scientific research base). All these questions

were discussed in detail at the Eighth Plenum of the CPCZ Central Committee and conclusions were accepted for the comprehensive creation of prerequisites for the accelerated application of results in scientific-technical development in practice.

With the technical-economic standard of products is connected the ability of the economy to adapt to conditions in foreign markets and to increase export efficiency. At the same time, the first half of the Seventh 5-Year Plan was characterized by a worse trade-political situation in foreign markets, a continuing crisis in capitalist economy, a severe of competitive struggle and the existence of discriminatory provisions in financial and credit policy toward socialist countries, etc.

In this situation, while exchange relations were mostly getting worse, it was very difficult to secure the planned export and import tasks. The turnover in mutual exchange of merchandise with socialist countries was higher in both years than the plan expected, but in trade with nonsocialist countries the export tasks were not fulfilled. The fulfilling of tasks pertaining to the effectiveness of our export was especially difficult.

An analysis of the effect of instruments of the improved System of Management on the area of foreign economic relations showed that these instruments initiate a correct orientation toward the increase of export and its effectiveness, but their effectiveness is so far not sufficient. In a more demanding situation, improvement in planning and in business activity is needed and new, more intensive instruments have to be sought to supply stronger support for the realization of the plan's goals. The question is how to create stronger economic pressure for flexibility and entrepreneurship on the part of the production and business sphere, and at the same time also better conditions, so that these qualities may be employed in practice.

The Set of Measures had a very favorable influence on the development of the material and energy requirements of production, especially due to the newly introduced adjusted value added indicator. In both years in which the improved system of management was operating, an average 1.5 percent annual reduction in the share of material costs of the total performance was achieved, while the planned average annual reduction was 0.85 percent in the years 1981-1982. Those favorable results in reducing the high requirements in materials and energy (before the introduction of the Set of Measures they were falling at an average annual rate of 0.6 percent) were, of course, influenced not only by the direct economic pressure of the new value added indicator but also by a number of direct management interventions (such as those limiting consumption of fuels, some raw materials and import regulations), by planned implementation of structural changes in some sectors and by provisions adopted within the framework of the realization of the state goal-oriented programs for saving energy and metals.

Another strong stimulus for economizing is the gradual projection of purchase price increases for principal imported raw and processed materials into domestic prices, with the duty to suppress a part of the difference in the khrozaschet sphere.

An evaluation of the development of material and energy consumption in the past 2 years of the operation of the improved System of Planned Management shows that the enterprise sphere pays greater attention to questions of economizing than to questions of higher value increases of raw and processed materials. Savings were achieved primarily by using reserves more easily mobilized, while goal-conscious and systematic technical-organizational provisions and provisions concerning the rationalization of technologies in production which could more substantially influence the utility characteristics of innovative products have for the present made themselves felt only partially.

Effectiveness in the utilization of production funds and the whole economic activity is influenced by the Set of Measures primarily through the rentability indicator of the production funds. From the level of its fulfillment is derived the variable wage component, the profit allocation to the development fund and the rewards of leading economic workers and collectives. Even though in the evaluated period the development of this indicator was influenced by pertinent economic problems, such as a general decrease of the growth dynamics of production in industry while capacities from previous period still under construction were getting under way, only a small change has been shown in the approaches of the economic sphere to solving the question of using production assets and circulating capital. The shift work coefficient has increased only slightly, the number of unfilled job positions is growing and there has not been much success in fulfilling the planned volume of liquidation of obsolete capital assets.

Evaluation results of the effectiveness of the rentability indicator of production assets for both years show that this indicator has a strong influence on frugality and on savings in total costs and thus on an increase of profit formation. In both years very good results were achieved in these quality indicators, especially in industry. The effect of the rentability indicator of production assets on the development of the state of stock and on the utilization of capital assets has up to now been insignificant; one can expect, however, that especially after the easily mobilizable sources of profit increase have been exhausted, room will be made for a more intensive influence of the rentability indicator of production assets and for better utilization of capital assets and stock.

For the time being, the instruments of the System of Management, as modified by the Set of Measures, showed no clear influence on the effectiveness of the process of capital assets reproduction, which is mostly influenced by long-term factors. Unfortunately, the direction of new capital construction was not improved very much, either, as attested by the fact that the share of modernizing and reconstruction investments has not

increased more substantially. At the same time, it is just these investments that should bring about an outstanding effect on the reduction of costs of present and past labor inputs in a production unit.

Only in the area of so-called limited capital construction financed from the development fund (buildings up to Kcs 2 million, individual machines and equipment), where financing from own sources of economic organization is applied to a full extent, have the adopted provisions been working on the whole favorably in the last 2 years. Evidently, the application of self-financing principles contributed to greater prudence in the choice of actions, planned investment quantities were for the most part not exceeded, aspects of effectiveness were being enforced and the interest of investors in faster realization of investment actions increased.

Starting with the year 1982, the system provisions oriented toward the regulation and use of the labor force have been complemented in such a way that the number of workers is no longer determined in the state plan by a mandatory limit. The mandate has been kept only within the framework of employment regulations in individual areas. At the same time it was decreed that the pertinent organizations, while saving the work force, will keep the corresponding wage funds at their disposal. The expectation that this provision will have a strong impact on the incentive for saving the work force has, however, not materialized and the enterprises have so far avoided making use of this possibility for a number of reasons. One of the reasons clearly was the fact that in economic organizations there were on the average relatively adequate wage means available even without a reduction in the number of workers.

The evaluation of results of applying the Set of Measures indicates that so far the adopted principles have correctly oriented the whole economic sphere toward questions of intensification of economic development and toward securing the strategic line of the party's economic policy. The realization of the Set of Measures significantly contributed to the discovery and exploitation of reserves for solving difficult problems of past 2 years. The achieved effect depended to a great extent on the initiative consistency and decisiveness with which individual enterprises, VHS's, ministries and regional planning organizations approached getting the improved System of Management under way. Even though the application of the Set of Measures without doubt has had a positive influence on the approaches of economic workers and whole work collectives toward effectiveness and quality of work and has affected the achievement of better economic results, especially with regard to the quality indicator, it is still necessary to consider the Set of Measures adopted in 1980 as the first important step toward a consistent and complete adaptation of the System of Management to the conditions for the intensive development of the economy. That is why the party and government organs pay constant attention to the preparation of further successive and as much as possible experimentally tested means for improving the System of Planned Management of our economy and to the further expansion of the Set of Measures.

The significance of the Set of Measures is, therefore, understood in a broader sense than we have sometimes witnessed. It is a program document on the basis of which the gradual realization of a number of principles formulated in the Set of Measures will take its course, but the fulfilling of which represents necessarily a longer-term process. Therefore, the Main Guidelines for the Economic and Social Development of the CSSR for 1981-1985, approved by the 16th Congress of the CPCZ for the management area, set a task of "further improvement of the national economy's planned management as one of the principal tools in solving the tasks of further social and economic development. Through the realization of the Set of Measures to an improvement of the System of Planned Management of the national economy after the year 1980 and through its further development to create prerequisites for consistent enforcement of strong intensification, effectiveness and export capacity of the Czechoslovak economy."

Already during the approval of the Set of Measures it was pointed out that in those areas which have decisive significance for the effectiveness of the whole reproduction system, it would be necessary in a short time to elaborate more thoroughly the present solution and still in the course of the Seventh 5-Year Plan to verify experimentally further measures originating in the principles of the Set of Measures and oriented toward a fuller adaptation of the System of Management to intensification conditions. Therefore, since 1983 steps have been taken within the framework of intensification of the Set of Measures toward verification of some new elements in the System of Management.

In order to solve questions of the export effectiveness of the economy, an experiment was started to increase management efficiency in foreign economic relations by a more efficient intermingling of production and foreign trade. The purpose behind this is a gradual more consistent enforcement of demanding effectiveness criteria originating in economic relations abroad and entering into the management of the domestic economy so as to increase the responsibility of production and foreign trade organizations for results achieved in foreign trade. In the dependence on specific conditions, primarily the character of production and trade operations, two variants of the experiment are being tested. The first lies in the economic and at the same time organizational intermingling of production and foreign trade, when a foreign trade organization or its part is being included in the organizational structure of the corresponding production economic unit. The second variant concerns the economic intermingling of production and foreign trade. The pertinent business group remains organizationally a part of its parent organization of foreign trade, acts in its name abroad but on the account of the economic production unit whose products are the object of the trade.

In both variants of the experiment some significant changes will assert themselves, for instance through the introduction of the mandatory indicator of collections in the export to nonsocialist countries, whereby responsibility is transferred to the production organization not only for the realization of planned export tasks but also for the receipts of foreign exchange to

be earned by exports. Profit as the basis of the formation and allocation of sources in experimenting economic production units and enterprises will contain also profits or losses from export operations, with the goal of strengthening material responsibility and motivation of producing organizations in export effectiveness.

Additional new measures in the area of capital investment have been tested since the beginning of 1983. Their purpose is to enlarge the khozraschet responsibility of VHI's for acquisitions and the effectiveness of basically all investments. By combining the now used retained earnings and the development fund, a single investment fund is being created, which is formed from VHI's own financial sources (on basis of norms), from bank credit and possibly from financial grants of superior organs. At the same time, preference of centrally approved investments is fully secured.

Further, in agreement with conclusions of the Eighth Plenum of the CPCZ Central Committee, additional management measures are being realized already this year, and possibly next year, aimed at an acceleration of scientific-technical development and at the same time the responsibility of production economic units for ensuring scientific-technical progress in fields entrusted to them are being increased; projection of scientific-technical progress into other parts of the plan is being secured; structure of scientific-technical progress plan is being simplified; conditions for a greater influence of prices on research and development work and of wholesale prices of new products on the effectiveness of scientific-technical development and its past realization are being created; the khozraschet method of financing scientific-technical development is being strengthened; pre-conditions are being created for an increase in the material motivation of designers and other creative workers for effectiveness realization of scientific-technical progress; and even more efficient forms of economic and organizational mixture of research, development and production within the framework of economic production units will assert themselves.

In the course of the years 1984-1985 additional measures will also be gradually realized, directed at making the effort of the Set of Measures more specific and stronger. At the same time, based on pertinent government resolutions, work is being done on a more long-term program for further improvement of the planned management system in connection with relevant tasks for the long-term economic and social development of the CSSR. This program utilizes experiences from the realization of the Set of Measures and relies on results of work in economic research and on experiences of other socialist countries. The importance of this task is distinctly expressed in the directive given in this connection by Yu. V. Andropov: "...to insure the well-tuned, trouble-free work of the whole economic mechanism--that is the need of this day and also a program task for the future. It is an inseparable part of the whole process of improving our social system."

Further work starts from the fact that the most important conditions for intensification of the Czechoslovak economy in the management system area is a complex and consistent realization of the Set of Measures as a program document which has validity also for the process of the qualitative improvement of the whole planned management system of the national economy in perspective. In connection with this stands before us the solution of such problems as the creation of demanding criterion conditions for the realization of the Set of Measures, unification and increase in the strictness of effectiveness criteria for all levels of management and areas of the reproduction process, firm enforcement of demanding world parameters in these criteria, strengthening the long-term character and increasing norm demands of material motivation in connection with actually achieved economic results with the goal of motivating acceptance of mobilization plans.

It will be necessary even further to orient ourselves toward a quality improvement of central organs' work in the solution of strategic tasks of long-term economic development, macrostructural changes, the concept of integrating the Czechoslovak economy into the international division of labor and socialist economic integration, etc. This should be followed by an unambiguous definition and a stronger measure of responsibility and jurisdiction of the enterprise sphere in the area of planning, creation and allocation of resources, a formation of rational organizational structures, etc., all the way to the establishment of direct economic ties with organizations of CEMA-member countries, especially in areas where decisions about deeper integration are made.

The content of state and economic plans and especially the process of their creation and realization would have to be adjusted to the mutual relationship of the role and responsibility of central organs and the khozraschet sphere. For the conditions of our economy in the present epoch we will have to solve the optimum mutual relationship in planning, longevity and flexibility in the management of economic and scientific-technical processes. Already in the process of plan formation (and, of course, also during their realization) we should more than ever enforce an active role of criteria of effectiveness and balance, such as prices, rates of exchange, credit, foreign currency instruments, etc. This requires at the same time a striving for rationality of these valuable instruments. In the planning of an effective production structure, the securing of the internal linkage of economic plans, and the evaluating of results of their fulfillment, it would be necessary to respect to a much greater extent the effective protection of horizontal relationships, in other words, the satisfaction of purchasers' needs.

The activation of the human factor in production and society and the all-round development of its initiative, its active participation in solving all problems of economic development, must become a common denominator of all designs for further development of the planned management of the national economy. This is, after all, the most important factor of insuring the further effective and dynamic development of our economy.

12392

CSO: 2400/130

UNION ROLE IN PLAN, R&D ACCELERATION IN 1984 REPORTED

Prague PRACE Supplement in Czech 8 Dec 83 pp 1-16

[Report of the Presidium of the Central Council of Trade Unions delivered by the secretary of the Central Council of Trade Unions, Vladimir Minarik, on the occasion of the Sixth Plenary Session of the Central Council of Trade Unions on 6 December 1983: "Activities of the Revolutionary Trade-Union Movement in Implementation of the Tasks of the Plan for the National Economy for the Year 1984 and in Acceleration of Research and Development"]

[Text] We are meeting after the Ninth Plenum of the CPCZ Central Committee which pointed out specific directions for economic and social development in 1984, the accomplishment of which will decisively affect implementation of the basic directions of the Seventh 5-Year Plan stipulated by the 16th CPCZ Congress. The scope of the Sixth Plenum of URO [Central Council of Trade Unions] is to assess, on the one hand, the results of workers' initiative and the share of trade union organs in providing for implementation of the plan in the current year and determine the orientation of their activities in implementing the plan for the national economy in 1984, and, on the other hand, in keeping with the resolutions of the Eighth Plenum of the CPCZ Central Committee, to stipulate the tasks of trade union organs and organizations in accelerated application of R&D findings in practice.

The process of implementing the current and upcoming tasks is and will be marked by complex and polarized international developments. Our public as a whole deeply resents the antipeople policies of the Reagan administration which, in the interest of the goals for world domination by the most reactionary forces of imperialism and despite the enormous peace efforts of the Soviet Union and of socialist countries as well as the resistance of widely based masses of defenders of peace the world over, have polarized the international situation by deploying medium range missiles in Western Europe, i.e., in the immediate vicinity of our borders. Drawing on the lessons of historical experience, when decisions were made in Munich about us and without us, when Western powers delivered us into the claws of Hitlerian fascism, our people definitively decided to rely on the only guaranty of our freedom and independence--the USSR. Our working people, true to socialist patriotism and pervaded by international responsibility, agree with the measures taken by the governments of the CSSR and the Soviet Union toward strengthening the defense of our country, to include deployment of tactical missile delivery systems.

This resolute stance is manifested by our workers and other working people at meetings in plants and at public demonstrations where they express their confidence in and full support of the policies of the CPCZ, as characterized in the report of the Presidium of the CPCZ Central Committee with regard to the current international situation at the Ninth Plenum of the CPCZ Central Committee. They value highly the principal, peace-oriented, Leninist policy of the Soviet Union oriented toward averting the threat of thermonuclear destruction of mankind, as formulated in the declaration of the secretary general of the CPSU Central Committee, chairman of the Presidium of the Supreme Soviet of the USSR, Yuriy Andropov, of 24 November of the current year.

Our people react to these new momentous realities in international developments with accelerated constructive efforts as a manifestation of identifying with the words of the secretary general of the CPCZ Central Committee and president of the Republic. Gustav Husak, delivered at the Ninth Plenum of the CPCZ Central Committee, holding that the stronger our economic potential becomes, the more we shall be able, together with our socialist allies, to implement in the future our security and consolidate the attained standard of living. For that reason we shall approach the upcoming tasks in the national economy as a whole with an awareness of high responsibility even in the activities of trade union organs and organizations.

I. Trade Unions Promoting Systematic Accomplishment of This Year's Plan and Successful Implementation of the Tasks for 1984

The basic orientation for implementing the tasks for the third year of the Seventh 5-Year Plan, to include active participation by trade union organs and organizations, was promulgated at the conclusion of last year by the Third Plenum of URO in close linkage with the resolutions of the Seventh Plenum of the CPCZ Central Committee. Trade unions, in cooperation with the relevant state and economic organs, adapted those tasks to the specific conditions of individual sectors. Prerequisites were created for mobilization of workers to start to meet the plan from the beginning of the year, as was also pointed out in the report of the Presidium of the CPCZ Central Committee on the occasion of the Ninth Plenum of the CPCZ Central Committee, simultaneously with realistic prerequisites for meeting the objectives and goals of the plan for the national economy in 1983, as well as meeting in essence the conceptual objectives of the Seventh 5-Year Plan for the current year. After 2 years the dynamism of our national economy is once again regenerated, bearing out the capacity of workers to provide for the development of our economy even at reduced inputs of materials and energy, to increase productivity of labor and improve its effectiveness through intensification of production.

Initiative Brings Results

The primarily positive aspect in the fuel and energy base is the improved time lead in mining and stockpiling of coal in comparison to the preceding years. Industry as well as the agricultural/food complex contribute to improved supplying of the populace with foodstuffs and certain consumer goods, and personal and social consumption have improved.

A significant contribution to these results was made by the increasing initiative of individuals and work teams. Socialist competition in commemoration of the 35th anniversary of Victorious February gained a mass following through the political and organizational efforts of trade union organs in general and those of basic organizations of ROH [Revolutionary Trade Union Movement] and of economic management in particular. More than 3 million individuals, over half a million of work teams, 14,000 plants and almost 7,000 enterprises adopted specific pledges toward meeting and exceeding planned quotas even in qualitative indicators. In the course of 1983 there occurred an 8.9 percent increase in the number of individuals and work teams competing in improvement of quality.

Characteristic of the current year is development of the movement for achieving a "one or more days' desirable extra production from saved materials, fuels and energy" on a mass scale. Work teams of the enterprises Kaucuk in Kralupy, Kovohute in Decin, Slovnaft in Bratislava, Mier in Topolcany, Tesla in Prague and many others made valuable economic contributions by uncovering hidden resources, by full utilization of efficiency promotion programs. We rate positively the approach of trade union associations, e.g., in the sectors of the metalworking industry, chemical industry, mining and energy, the textile and leather industries, the timber and woodworking industry and many regional trade union councils that seized upon these initiatives and promoted their expansion, so that the movement has its followers, e.g., in the Central Bohemian region in 268 plants and enterprises and, similarly, in additional regions. Work teams and brigades of miners in SHD (North Bohemian Lignite Mines), OKR [Ostrava-Karvinna Coal Basin], at uranium mines, in Handlova, in HDB [Lignite Mines and Briquetting Plants] Sokolov and in other coal basins have been breaking mine, plant and coal basin records through improved utilization of technology and organization of labor. Expansion is also occurring in the initiative of leading female workers in the textile and leather industries oriented toward accomplishment of the tasks of the Seventh 5-Year Plan ahead of time and with high quality. Socialist pledges are oriented in several sectors toward zero reject-rate production with application of the principle of autonomous control accompanied by establishment of personal and work-team accounts of achieved savings. A movement for improved effectiveness in animal production and reduced harvesting losses is finding application in agriculture.

In keeping with the appeal made by the 10th All-Union Congress, the Third Plenum of URO called on trade union organizations to make 1983 the year of a frontal approach toward exceeding the quotas of state goal-oriented programs for achieving savings of energy and metals by an additional half percent. Today it can be stated that this task is being met and, particularly in savings of metals, even exceeded.

The concentrated efforts of workers have brought about, over the past 2 1/2 years, fuel and energy savings in the amount of 6.4 million tons of standard fuel, representing 52.7 percent of the tasks of the state goal-oriented program for the entire Seventh 5-Year Plan, with 1.2 million tons accruing to ferrous metals and 37,300 tons to nonferrous metals, amounting to almost two-

thirds of the state goal-oriented program of savings set for the same period. These results are not only a measure of economic contribution, but also of the effectiveness of the political and organizational efforts developed by trade unions. Concerted check-up of economic fuel and energy management confirmed that when efforts of trade union and economic organizations are unified under the leadership of CPCZ organizations toward developing workers' initiative in the desirable direction toward a set goal, results are sure to follow.

We recommend that the plenum of URO express appreciation for the selflessness and efforts of work teams, brigades of socialist labor, innovators, inventors and improvement promoters, expeditor teams and individuals who make it possible to meet and exceed planned quotas in the desired directions.

When we point out the prevalent positive results and trends, we must not overlook a number of significant problems and weak points in our economy, many of which are due to subjective causes. There persist many deviations from the objectives of the Seventh 5-Year Plan, increases in adjusted value added are often used to hide a lower rate of productivity of labor, efforts to project increased production fully into the area of consumption are not meeting with success and undesirable stockpiles are increasing; there is still an excessive amount of unfinished projects under construction in investment construction, quotas for exports to nonsocialist countries are not being met, serious shortcomings persist in supply and demand relations, in the assortment and quantity of replacement parts, in the level of troubleshooting services and in commercial activity. All available capacities are still not being used toward production of goods for the domestic market to the extent of 1 percent in organizations producing export assets. Thus, even the trade union associations of production sectors and trade are lagging behind their potential. With regard to the construction industry, it is unacceptable to become reconciled with the fact that fewer apartments were turned over than last year, which, in addition to the North Bohemian region, had a particularly negative impact on the capital city of Prague, where only 18 percent of apartments were turned over in 10 months.

For these reasons, in evaluating key trends in the plan for the national economy in the first half of the current year, the Presidium of the CPCZ Central Committee pointed out in its resolution of 19 August the necessity of adopting the requisite measures for maintaining the attained dynamism and toward a resolute elimination of shortcomings. The presidium of URO also oriented in this context primarily all trade-union associations to ensure by specific methods the participation of trade union organizations in implementing the tasks for the current year by their membership within their respective ministerial jurisdictions. It can be stated that this significant suggestion of the part of the CPCZ leadership met with full support and understanding. A greater amount of coordination and operational readiness on the part of state, economic and sectoral organs became manifested also in aid to enterprises. Many work teams adopted upgraded pledges for 1983 to commemorate the 66th anniversary of the Great October Socialist Revolution, such as brigades of socialist labor in OKR, personnel of the Association for Chemical and Metallurgical Production in Usti on the Elbe, and others.

It would be an unforgivable lapse if the trend toward a higher dynamism failed to be maintained, if we let this chance pass through our fingers. It is inadmissible that anonymity and resignation to endless lagging be allowed to hide behind general advance. We are looking for solutions primarily in places where they became used to some sort of a "predestined fate" of shirkers. For that reason the joint session of the Presidium of the CSSR Government and secretariat of URO on 13 October of the current year concentrated its attention on points where efforts toward meeting of the plan must be stepped up. We expect that in the period remaining till the end of the year all trade union organs together with economic management will intensify their political and organizational efforts and create conditions enabling each work team to meet with honor its socialist pledges, the tasks of the current year and, thus, also provide a better starting base for entry into 1984.

Increased Utilization of Implementation Counterproposals

From the start of plan preparations for 1984 it was obvious that from the viewpoint of meeting the goals of the Seventh 5-Year Plan it involved highly demanding tasks. Therefore, state and trade union organs agreed that full use be made of the method of implementation counterproposals toward a more systematic utilization of intensification resources for the growth of our economy. The secretariat of URO together with COR [Czech Trade Union Council], SOR [Slovak Trade Union Council] and SPK [State Planning Commission] staged a work meeting of representatives of ministerial sectors and associations to insure its wide adoption. Experience shows that in many organizations of the sectors of metalworking industry, chemistry, communications and others, implementation of implementation counterproposals led to making plan proposals more viable not only in quantitative but also in qualitative indicators. In 23 of 30 VJH's [economic production units] of heavy machine building and metallurgy, general machine building and the electrotechnical industry were offered implementation counterproposals for increasing the volume of adjusted value added by Kcs 1,080,000,000. Even though implementation counterproposals were compiled in a much larger number of plants than in the preceding year, no reversal was achieved in their qualitative contribution. Moreover, in many VJH's and enterprises there came to the fore manifestations of uncertainty and apprehension with regard to frequent changes in the plan as well as failure to abide by the principles of the system of material incentives if truly viable future-oriented plans were to be adopted. This too became a source of an overcautious attitude in making use of the possibilities offered by implementation counterproposals.

Some additional problems cropped up in preparation of the plan. In many organizations the tasks were not worked out for intraplant units, work teams were often not even familiarized with the plan proposal. Some UVOS [Central Councils of Trade Union Associations], CVOS [Czech Councils of Trade Union Associations] and SVOZ [Slovak Councils of Trade Union Associations] endeavored to effect redress and confronted the accompanying negative phenomena, but were unable to push through adoption of correct procedures in all economic management organs. In the end some sectors and VJH's submitted plan proposals for 1984 that showed preference for partial group interests, making them unacceptable

to central authorities, because they were in conflict with the needs of the economy and with promoting the standard of living. Herein there still persist differences between proclamations and deeds! All of this indicates that the principles of the Set of Measures for Improving the System of Planned Management have not been applied comprehensively everywhere into practice in the sphere of management.

A persistent shortcoming is the fact that the positions expressed by many trade union organs with regard to the plan merely state certain problems without offering their own version of a potential solution, that trade union organs are resigned to the fact that the relevant state and economic organs show inadequate reaction to their position or none at all, nor do they inform ROH membership meetings how the suggestions and reminders proposed by workers had been used. There are even trade union organs that serve as yes-men for managerial personnel, or act as defenders and spokesmen of economic management in implementation of lower level tasks. We cannot overlook the fact that this has caused, among other things, a situation in which to this day the ROH plant council has not everywhere attained the position, prerequisites and authority entitling it to assert correct viewpoints and resolutions vis-a-vis the economic management. It is imperative to subscribe to the Leninist slogan: "Trade unions are the reservoir of state power, a school teaching communism, a school teaching management. What is specific in this area is not management, but linkage between central (and, of course, also local) state administration, administration of the national economy and wide masses of workers." (V. I. Lenin--"On Trade Unions," January 1921.) For that reason, association and trade union organs must help ROH plant councils achieve a higher level of organizational efforts and of political authority in carrying out this requirement.

We rate as positive the fact that organs of trade union associations, primarily those of personnel in the metalworking industry, railroads, construction and production of construction materials, the timber and woodworking industry as well as forest and water management stood up in their respective positions for systematic implementation of the goals of the plan for 1984 at the level of the Seventh 5-Year Plan. We also deem as correct critical assessment of the quality of management at its individual levels up to ministries. Thus, e.g., the Slovak Council of the Trade Union Association of Workers in the Timber and Woodworking Industry, Forest and Water Management in its position to the plan proposal submitted by the VHJ Woodworking and Furniture Industry in Zilina, which has jurisdiction over the entire SSR, called for systematic resolution of open problems regarding the processing of less valuable oak roundwood. It is therefore imperative that organs of associations and plants, enterprise and trade union councils of ROH systematically assert their rights vis-a-vis economic organs in promoting participation of workers in the compilation of the plan proposal and its specification, implementation and control ensuing from the policy of the CSSR Government and URO as well as the law regulating the 5-year plan. At the same time, they should be based and rely on the principal position of the Seventh Plenum of URO, as formulated then with full urgency by URO Chairman Karel Hoffmann: "In planning we place emphasis on qualitative indicators, on the necessity of introducing confidence into the planning

activities of individual enterprises, plants and work teams. Then it will be much easier to implement and successfully meet the planned tasks as well as the plan as a whole. This will at the same time create more favorable conditions for the activity by workers which then will be capable of development in its full extent and make it possible for us to ensure as wide a participation by workers in the compilation of the plan as possible to spark a movement of informal, effective socialist competition in all its propitious forms."

Implementation of the Plan for 1984--A Matter of Concern to All Workers

Plan quotas for the next year--as was pointed out by the Ninth Plenum of the CPCZ Central Committee--are truly demanding. They are based on the extent economic development, its realistic possibilities with emphasis on intensification, higher effectiveness and improved utilization of all resources. The increment to national income is to amount to 3 percent with a 2.6 percent increase in national labor productivity.

From the demanding nature of the plan there results a high degree of joint social responsibility of trade unions for mobilization of all workers to actively participate in a truly conspicuous advance in the struggle for increased productivity, effectiveness and quality of all labor; this also constitutes the revolutionary mission of trade unions in the current period.

Meeting of the plan quotas for next year requires that state and economic organs implement the plan's timely breakdown for lower levels of management. That is a prerequisite for purposeful and informal development of work initiative.

It is up to trade union, enterprise and plant councils to start developing together with the relevant economic organs conditions for mass promotion of the workers' initiative starting with the initial weeks of the new year.

It is desirable that specific directions for orientation of socialist pledges and competition be pointed out along with detailing of the plan.

If we are to achieve the goal of having socialist competition, as the basic form of workers' initiative, actively contribute to meeting the key indicators and needs of the economy, it becomes imperative to achieve an even closer bond between initiative and the qualitative needs of the economy and of R&D. Mutual comparison of results in competition between trades and professions, outdoing the accomplishments of individuals and of work teams, working groups, workshops and operational units leads to attainment of outstanding work results and gives rise to new initiatives and heroism of labor. What it takes is that ZV [plant councils] of ROH as well as higher association organs make better use of well proven forms, that they be not satisfied merely with adopting enterprisewide and collective pledges, that they devote more time to direct organizational aid to the competitors in developing new forms that yield an effective contribution.

BSP [Brigades of Socialist Labor] Continue To Lead

Work initiative has been headed for a quarter of a century already by the BSP movement which shows that it is pervaded by a fervent resolution to scale the barriers of high requirements, to eliminate everything which retards its continued progress, to expediently react to new needs of the economy and of technology as a carrier as well as pioneer of the workers' creative activity. This is and remains an important morally political process which trade unions have an obligation to support, create for it the best climate possible, because orientation toward work and efficiency attains in the BSP movement an added dimension in the scope and depth of morally political influence that extends to and absorbs a constantly widening body of workers. In work teams one of the key tenets of socialism finds its culmination, holding that a working man becomes the true subject as well as creator of his own life as well as that of the socialist society.

We point out the qualitatively new initiative of the BSP in the rolling mill for semifinished rolled products in NHKG [New Metallurgical Plant of Klement Gottwald] in Kncice, led by Vaclav Chovanec, which provided the impetus for devising the so-called long-term program for development of work initiative for the years 1984-1985, oriented toward exceeding the qualitative and quantitative plan indicators on the basis of an implementation counterproposal. The program is already being applied in NHKG by as many as 634 BSP's that are being joined by others within the region.

The brigade movement has its justification in preproduction stages as well and for that reason their establishment therein must be expanded on a much wider scale. Worthy of being followed is the example provided by the BSP in the construction department of the East Bohemian Chemical Plants in Pardubice, which bases its design and modernization activities on pledges in personal accounts of attained savings, which constitute the basis of their technological and innovative contribution. In pointing out the contributions and significance of the BSP movement, we also must not overlook the problems voiced at sectoral conferences that must be reverted to by associations and sectors in the interest of their resolution. Thus, an URO survey, conducted jointly with regional trade union councils in the West Bohemian, North Moravian and West Slovak regions, showed that more than two-thirds of the surveyed work teams call for a higher level of organization of labor and of management, increased help on the part of economic management and trade unions, sharing of experiences among brigades directly in organizations, and more than half of them call for establishment of brigade councils and intensification of their ideological and cultural mass activities. Workers' initiative finds its great justification and mission also in implementing one of the strategic tasks of the economy which is constituted by capital investment. A more complex design, technological and construction-contractor cooperation calls for new approaches, such as the successfully tested combined socialist pledges. For example, the combined socialist pledge adopted by Hydrostav Bratislava, Plynostav Pardubice, CKD Prague and other organizations participating in the construction of the Transit Gas Pipeline in January of the current year at the nationwide work

meeting of URO and of the government in Bratislava, contributed to cutting down planned deadlines for construction, attainment of the planned standards, improved quality of labor, overcoming the imperialist embargo, and thus represents a significant contribution to fraternal cooperation with the Soviet Union.

For Continued Development of International Competition

The deepening international division of labor among socialist countries calls now more than ever before for development of international socialist competition among work teams which through their deliveries, projects and new technological solutions directly participate in the program of cooperation and integration. Success is being encountered in the forms of cooperation between Czechoslovak and Soviet enterprises, particularly in the implementation of the nuclear program, in development and acquisition of experience with new types of materials, development and modernization of a number of production sectors, development of low-tonnage chemistry, development of transportation systems, a nutritional program and others. We ascribe particular significance to the construction of nuclear power plants that is aided by 12 CSSR-Soviet international brigades at work in Jaslovske Bohunice and Dukovany.

We request that ministries, together with UVO's, CVO's and SVO's deal--on the basis of the current state of negotiated plans for cooperation and integration and mutual agreements between enterprises and institutes within CEMA--jointly in devising suitable forms of international competition among them, because even here there still are considerable hidden resources. At the same time we find it imperative that state organs conclude resolution of the problem of financing mutual exchanges within the framework of international competition.

A valuable resource is constituted by Soviet experience and innovative methods which prove successful in our production, if properly introduced. Trade union organizations should promote them more and, together with plant branches of the Association for Czechoslovak-Soviet Friendship, support their wider application. In the interest of developing international socialist competition in various sectors, the best workers will continue to be awarded the high Soviet decoration "Shockworker of the 11th 5-Year Plan" and best workers of Soviet plants will receive our badge "Victor in Socialist Competition."

Toward Improved Quality of Production

The process of more effective utilization of energy and materials as well as turning out products of a higher utilitarian value leads to the objective conclusion that it is imperative to promote technological and work discipline to achieve improved quality of production and of all labor. Bringing an improved level of the quality of products into the foreground of interest of work teams and of individuals calls for seeking more effective forms of organization of labor, of the system of incentives, of work and technological discipline. The share of our products of the first quality degree and technically advanced products compatible with the top level worldwide is still low, contrary to the tradition established by Czechoslovak industries.

That too constitutes significant cause for our lagging exports to nonsocialist countries. These problems can be grappled with primarily by introducing a system of quality control as a method of planned management of innovations, modernization and technological progress. Experience shows that an active contribution to their resolution can be made by combined socialist pledges of production organizations and foreign trade organizations with the objective of advancing the quality of final products to the foremost worldwide level and, as a result, achieve higher effectiveness of foreign exchange. The relevant trade union associations' task is jointly to assess the status quo under the participation by sectors and prepare, still in the first quarter of 1984, remedial measures in the interest of Czechoslovak exports.

Even though there is gradually occurring a certain improvement in the development of product quality and in curbing direct losses from poor quality production, findings made by trade union-sponsored surveys confirm that the leadership of most production organizations and their superior organs fail to utilize all the tools of management, particularly technical control toward shoring up technological discipline and eliminating additional effects that have an adverse impact on the quality of production. Although ministers have issued relevant instructions, the level of input and output controls is far from the desirable level and inadequate attention is paid to reject rate control. As a consequence, losses due to faulty products in the national economy reached in 1982 the amount of Kcs 1.8 billion. According to the findings of the CSSR People's Control Commission, all branches of the metalworking industry maintained on the whole the cost of claims and recalls for 1982 at a level of Kcs 680 million, but retribution through curtailment of premiums represents only several hundredths of 1 percent of the total volume of wage funds. In quite a few enterprises the costs for internal rejects and recalls have not been lowered for several years, whereby overall premiums and bonuses are cut down, for failure to meet quality indicators, only by negligible amounts and, as a rule, only in the case of workers. Enterprise managements even fail to comply with their obligation to demand restitution of damages as called for by the labor law code. Just because we are defending honest workers does not mean that we will protect loafers, those who do damage not only to the good reputation of a socialist workers, but also to their material interests.

Trade union organs along with economic management ought to devote more attention to continuous generalization of the experience of top workers and innovators, winners of socialist competitions, and to providing moral and material appreciation for their accomplishments and contributions in a more systematic manner in keeping with the principles of merit.

In Commemoration of Festive Anniversaries--for Meeting the Seventh 5-Year Plan Ahead of Time

The upcoming 40th anniversary of the culmination of the national liberation struggle of the Czechoslovak people and liberation of Czechoslovakia by the glorious Soviet Army is sparking in many work teams a growth of work initiative linked to the ideopolitical incentives provided by the upcoming significant

anniversaries. Thus, e.g., personnel of the Vahostav enterprise in Zilina adopted in honor of these anniversaries a pledge to meet the Seventh 5-Year Plan ahead of time in accomplishment of key tasks and to generate extra value in the amount of Kcs 89 million. Personnel of Praga Louny adopted a pledge for completing the 5-year plan 10 days ahead of time. Work teams of 27 enterprises and plants and 3 towns, bearing the title SNP [Slovak National Uprising], in the Central Slovak region, are adopting demanding socialist pledges for the years 1984-1985.

We are certainly fully justified in seeing in the conduct of individuals and work teams fired by initiative, who obligate themselves to early completion of all tasks of the Seventh 5-Year Plan in quantitative as well as qualitative indicators, an inspiring stimulus for additional plant and enterprise work teams to follow their example on the basis of assessing their potential and mobilizing their resources.

URO is calling on work teams throughout the national economy and on trade union organs to promote, in the interest of attaining the socioeconomic goals for 1984-1985 at all places of work, adoption of the socialist pledge "For Early Completion of the Tasks of the Seventh 5-Year Plan" in the desirable directions in commemoration of the 40th anniversary of the Slovak National Uprising, the 40th anniversary of the May uprising of the Czech people and the 40th anniversary of liberation of Czechoslovakia by the Soviet Army.

For the upcoming period it is desirable to rely primarily on BSP's and key workers.

--To promote attainment of the economic plan quotas and to deal with the internal comity within brigades, the URO presidium together with the CSSR Government decided that conduct of BSP work meetings within plants, enterprises and, eventually, VHJ's will be provided for on the part of sectors and trade union associations in the first half of 1984.

--In keeping with the Plan of ROH Activities for 1984, the ZV (PV) [plant councils (enterprise councils)] of ROH are obliged to negotiate with economic management the procedures to be followed in organizing production consultations and other forms designed to promote participation of workers in the compilation of implementation counterproposals together with preparation of the plan for 1985; systematically orient the implementation counterplan primarily toward profitability of operating assets, manpower savings, meeting export quotas; and improve the productivity of labor while guaranteeing a system of incentives.

Remuneration According to Merit

Also in the area of wages, as an important component of the economy, trade unions connect their role of defending the interests of workers and other personnel with their share in the obligation to provide for the requisite economic resources. We deem it right that in keeping with the anticipated results in the generation of resources there is envisioned an increase in

personal and social consumption, whereby the average wage in the national economy is to show a mild increase and reach more than Kcs 2,870, and there is to be a recurrence in the growth of real value of wages. The URO presidium is of the opinion that in this respect it is possible and imperative to exceed the plan for productivity of labor, because only its attainment with a time lead constitutes the source for stabilizing the real value of wages. Trade union associations also bear responsibility for even more systematically playing their role of guardian of socialist remuneration, because the higher the increase in demands on the economy, the higher the active role of wages in production, construction and services. Our interest as trade unionists is that workers be able to earn, that they have a guarantee of even higher earnings depending on improved productivity, and quality of labor, that preferential treatment be afforded to workers and work teams that consistently achieve above-average results. And it is inadmissible to overlook the many deviations occurring in the enterprise sphere in conduct of an economically effective wage policy by being resigned to an atmosphere of detrimental equalitarianism.

If, on the one hand, we reject the practice of equalitarian distribution of premiums and bonuses in accordance with the false principle "equally to all," then, on the other hand, it is the duty of trade union organizations to support improved motivation on the basis of a better organization of labor, elimination of idle time and outages, improved qualifications, better use of technology and objectively determined standards. Related to the above is also elimination of complicated implementation rules and amendments relative to wages which often make orientation more difficult for workers so that they could compute their wages by themselves, particularly their flexible components, and check their accuracy.

With the support of trade union associations certain improvements were achieved in the quality of labor consumption standards, primarily in organizations in the sphere of fuels and energy, CSR and SSR industry, agriculture and food, forest and water management, where the stipulated tasks relevant to improving the effectiveness of premiums and bonuses in verifying the quality of standards attendant to consumption of labor had already been accomplished. In other sectors there occurred delays and, in some places, even administrative recomputation of standards in accordance with specified coefficients, without improvements in organization and in working conditions for the workers.

With regard to further wage development in 1984, the URO secretariat adopted the position of retaining the validity of the specified standards for generation of wage funds in the Seventh 5-Year Plan, but stipulated more demanding conditions and channeling of wage development in the course of meeting of the plan. This solution preserves the requisite stability for channeling wage funds, creates pressure to uncover hidden resources and provides preferential treatment for the adoption of implementation counterproposals.

For the Brigade-type Form of Organization of Labor and Remuneration

The experience of workers, foremen and economists from 40 enterprises engaged in verifying the brigade-type forms of organization of labor and of remuneration

stands witness to its positive acceptance, because it increased the responsibility of economic management and the level of organization of labor, introduction of khozraschet [cost accounting system], and the results are also better, as are bonuses.

The brigade form of operation in the tube drawing mill of the Sverma Ironworks in Podbrezova led to increased productivity of labor, reduced idle time and outages, reduction in the number of products of the second quality class, and there occurred a differentiated increase in earnings in an average range of Kcs 50 to Kcs 150 a month. Also of decisive importance are changes in the approaches and thinking of people, in promoting collective interests and responsibility for the overall results achieved by the brigade.

--Trade union production associations will on the basis of their experience continue to support introduction of brigade-type forms of organization of labor and remuneration.

—Increased demands required that ZV and PV of ROH also start assessing trade union efforts in the area of remuneration, that they deepen the involvement of wage committees in controlling adherence to bonus regulations and obligations accrued through collective agreements.

Improving the Quality of Collective Agreements--Enforcing Work Discipline

Closely linked to the problems of organization of labor and of remuneration is also adherence to systems of operation which must come even more into the forefront of trade union organizations' attention.

A sharp edge of criticism must be pointed against damage caused by failure to make full use of working time, poor work control, other various manifestations of lack of discipline, lenient tolerance of unauthorized absences and unjustifiable fluctuation. It is turning out at the same time that the extent of working time losses ranges in the industry from 10 to 15 percent, in the construction industry by as much as 30 percent.

In keeping with the position of trade unions it is desirable that ZV's and PV's of ROH, OVOS [district councils of trade union associations] and OOR [district trade union councils] support measures taken by managers, managerial personnel and foremen in promoting a demanding organization of labor, work discipline, in their struggle against loafing, absenteeism and cases of alcoholism and disorders in work places. The membership of 40,000 arbitration committee members of ROH in 5,000 plants will also use their experience from work disputes to deepen their educational and preventive efforts, will more systematically point out the causes of infractions against the socialist legal system. We insist that economic organs worked out in the first half of 1984 in agreement with enterprise, plant and/or sectoral ROH councils work regulations conforming to the new model approved by URO and by the federal ministry of labor and social affairs.

ROH is consistently endeavoring to achieve a qualitative improvement not only in the level of collective agreements, but primarily their effects on promoting the economic and social development of enterprise collectives as well as protection of the rightful interests of workers. We can state that further improvement in their effectiveness occurred in the current year due to a membership drive.

The URO secretariat in its negotiations with the Presidium of the CSSR Government, just as the COR and SOR in their dealings with governments of the republics, fully agreed on the conclusion that together with promoting completion of the tasks of the plan for 1984, collective agreement should incorporate pledges which will be conducive not only to meeting the plan, but also to improving the care for workers and their qualifications. Systematic promotion of care about working conditions is not just a fringe or protectionist matter, but one of the prerequisites for consolidation and enhancement of work teams. Collective agreements must incorporate very specifically detailed bilateral obligations oriented toward implementation of the provisions of the documents of the CZPCZ Central Committee, the government and URO with regard to improving social conditions in mining, the position of the Presidium of the CPCZ Central Committee on the construction industry, governmental measures designed to improve conditions at state farms; there is also a further need for improved care with regard to working conditions for women in the food and textile industries, in commerce, communications and health care.

Trade union councils at construction sites are particularly justified in criticizing the recurrent shortcomings in care for workers at large construction projects and in construction of nuclear power plants. It is also up to all-trade union organs to influence more actively economic organizations and national committees toward improving the social, housing, health, cultural and boarding conditions for work teams, builders and installers, who for most part work separated from their families. The same actually applies also to personnel working second and third shifts. We remind economic organs once again that an integral part of the thematic contents of their efforts is management of an all-round social policy of enterprises.

It is the duty of trade union organs in plants, enterprises and VHJ's systematically to see to it that plans for personal and social enhancement are more closely tied-in with collective agreements.

Social control by trade unions, specifically organs of trade union associations and OOR's, is facing a more demanding mission which cannot be limited to pointing out shortcomings, but must lead to improvements in all areas of the social sphere in enterprises, such as boarding in plants, safety of work, reducing of work-related accidents and occupational diseases, cutting down the number of high-risk work stations, as well as an improved system of compensation for injuries by enterprises on their own initiative. We urgently call on economic management to approach in all instances sensitively and attentively the problems and social affairs of each worker, of working women, young workers and apprentices.

--During the upcoming semiannual controls of collective agreements at membership meetings and sectoral branches the ZV's of ROH are to monitor the meeting of obligations, eventually to propose the drawing of consequences against those who caused a failure to meet them through gross negligence on their part. In this respect members of ROH expect from ZV's (PV's) of ROH a more systematic and resolute approach commensurate with legal rights and the representative role of trade unions.

--It is the duty of trade union associations to see to it that collective agreements for 1984 are negotiated within the prescribed deadline and provide, together with superior economic organs, for their recording, a task again delegated by the CSSR Government to the relevant ministers on 17 November of the current year in connection with the compilation of the plan for the national economy for the year 1984.

It can be stated that the tasks of trade union organs and of basic organizations in providing for the participation of workers in the compilation and implementations of the plan for economic and social development are multifaceted and that only an active approach toward their mastering will provide a guarantee that ROH will stand the test of day-by-day examination of its political and organizational competence.

II. Trade Unions and Their Tasks in R&D Acceleration

From what has been said about the indispensable necessity for mastering the upward trends of the economy in the Seventh 5-Year Plan it is obvious that this can be achieved primarily by systematic application of science and technology in the production process.

Ever since the 14th CPCZ Congress the communist party has been pointing out R&D as the decisive factor of continued advancement of the national economy. This policy was worked out with particular urgency by the Eighth Plenum of the CPCZ Central Committee which emphasized that the upcoming stage of development calls for accelerated introduction of the scientific and technological revolution into practice.

A Call for Systematic Implementation of Adopted Resolutions

There is no doubt that some results attained in this area over the past several years were also shared in by trade union organs, particularly following the 12th Plenum of URQ in 1975, by enlisting workers in the cause of creative technical activities. Mass-production and educational efforts of trade union organs contributed to expanding the ranks of active inventors and improvement promoters by 30,000 authors, there occurred a one-third increase in the number of expeditor teams, the initiative of workers became enriched by personal and collective creative plans of R&D personnel, there sprang up many new thematic competitions oriented toward application of science and technology. Trade union organs actively participate in international sharing of experience by leading inventors and improvement promoters at CEMA expositions, Invex in Brno and the exposition of accomplishments by inventors and improvement promoters in Moscow.

Despite these partial successes, participated in by individual associations, organs and organizations in a differentiated manner depending on the measure of efforts and ultimate results, little success is being encountered in increasing the extent of trade union activities in all research, developmental and design organizations, at institutions of higher learning and in pre-production units. Development of activities among scientific and technical intelligentsia is not everywhere viewed as promotion of political union between the workers class and scientific and technical intelligentsia; all ROH organizations do not always devote the requisite amount of attention to R&D. The actual participation of trade unions in the generation and implementation of plans for the development of science and of technology remains at the level of needs and a number of tasks resulting from resolutions of the 12th Plenum of URO fell into oblivion. Simply, it is turning out that it is not enough merely to point out resolutions formulated, even though correctly, from the center, but that they must be followed by systematic, everyday, purposeful and responsible efforts of all ZO's of ROH and of higher organs, to include the organs and apparatus of URO. A basic and strategic task accrues to us, trade unionists, from the proceedings on the agenda of the Eighth Plenum of the CPCZ Central Committee to exert all efforts toward promoting active and creative participation of workers, technicians, scientists and all working people in accelerated application of R&D in practice.

The role of trade unions is expanding also in view of the fact that the workers class is becoming the decisive motivating force for the introduction of scientific and technological progress into production, that there is occurring an ongoing growth in its professional qualifications and that in social distribution of labor there is occurring a gradual diminishing of any substantial differences between physical and mental work.

Toward Purposeful Implementation of The Resolutions of the Eighth Plenum of the CPCZ Central Committee

The first step toward the implementation of the resolutions of the Eighth Plenum of the CPCZ Central Committee was the decision of the URO presidium of 6 July of the current year in which it called on UVOS and other higher trade union organs to carry out jointly with sectors and economic management a specific analysis of the state of implementation of scientific and technological progress and technical creativity. Most central councils of trade union associations worked out the political and organizational aspects of the implementational procedures in their organs down to basic organizations of ROH.

The problems of R&D in the sectors then became the subject of joint negotiations between association organs and the leading personnel of ministries, such as, e.g., the railroads association and the Ministry of Transportation, and formed the thematic content of plenums of some UVOS, technoeconomic work meetings between trade union officials and leading innovators.

URO and the State Commission for Scientific, Technological and Investment Development convened in November of the current year a nationwide conference of expeditor teams, where appreciation was shown to the best improvement promoters and inventors.

Trade union associations and plant councils have an obligation to deal much more effectively and specifically with economic, organizational and social linkages that relate to the position of the working people and their participation in the introduction of viable orientations of technology, electronization, automation, robotization in the continued technological development of industry, construction, agriculture, transportation, health care, communications and other areas. There is a need for the State Commission for Scientific, Technological and Investment Development and the ministry to look, on the recommendation of UVOS, into the state of affairs wherein relatively a great number of computers are installed in plants, but are used primarily for recordkeeping and accounting instead of being primarily used for improving management processes and technology.

Trade union organizations, particularly in the metalworking industry, chemical industry, construction, agriculture, education and science, state and other organs are faced with the task of stepping up management of and demands on ZO's of ROH in institutes of the R&D base, planning organizations, institutes of higher learning and vocational institutes, developing their socialist competition within enterprises, institutes up to nationwide competitions. The urgency of this task is made even more acute by the fact that, e.g., only one-fifth of organizations of the R&D base participate in the CSR republic-wide competition for the Red Banner.

Pledges adopted in the R&D base, planning and design institutes and others, whether they engage in preproduction preparations or production itself, still contain an excessive amount of formalism. For example, the KOR in the North Moravian region found out that of 93 percent of technoeconomical personnel one-half of them oriented their pledges toward working a certain number of hours on brigades instead of performing some specific creative deeds in their own profession. Considerable and hard to explain differences persist between R&D centers with regard to solving research tasks at the level of inventions. In the Institute for High-Voltage Engineering in Bechovice they attained a 19.1 rate of patent applications per 100 R&D personnel, while in the Research Institute for Electrical Instruments and Distributors in Brno they attained a rate of only 3.9 of patent applications in 1982. In the Research Institute for Petrochemistry in Novaky they achieved 29.7 applications while in the Research Institute for Petroleum and Hydrocarbon Gases in Bratislava there were only 5 patent applications for inventions per 100 personnel.

These and additional examples can be used to document the differing level of trade union efforts among R&D personnel, of whom there are more than 180,000 in the R&D base alone. Their wider and more effective participation in various forms of creative initiative should be commensurate to that number. The 57,000 personal and 7,600 collective creative plans in relation to the total number of creative engineering, technical and other personnel in individual associations is still too low and unacceptable for the future. Without

trying to ascribe full responsibility to associations, can the associations in the construction industry, agriculture, the textile industry, education and science be satisfied with having only some 2,000 personal creative plans in their sector, or as few as 110 in the railroad sector?

For that reason trade union organs and, particularly, trade union associations together with ministries and economic organs in sectors significantly affecting scientific and technological progress are charged with the responsible mission of creating a suitable climate among technicians, engineers, scientists, innovators, young graduates of institutions of higher learning for adopting socialist pledges of a creative nature and, in addition, promoting it through differentiated remuneration and morale-boosting appreciation.

We shall draw even more specific conclusions for trade union efforts toward the development of creative initiative in the coming stage, as is implicit in the report of the Presidium of the CPCZ Central Committee presented on the occasion of the Eighth Plenum of the CPCZ Central Committee by its secretary, Milos Jakes: "A significant role in development of the inventors and improvement promoters movements throughout the sphere of workers' initiative accrues to the Revolutionary Trade Union Movement."

Full Support for Inventors and Improvement Promoters

The activity of inventors and improvement promoters has been demonstrably contributing by its results achieved over the past several years to the effectiveness of the economy. The dynamic development of the innovators movement is borne out by the fact that while in the Sixth 5-Year Plan utilization of inventions and of improvement suggestions produced social benefits in the amount of Kcs 36.8 billion, in 2 years of the Seventh 5-Year Plan the generated social benefits already exceed Kcs 19 billion, providing the prerequisites for attaining the objective of the 10th All-Union Congress--achieving in the course of the Seventh 5-Year Plan social benefits in the amount of Kcs 45 billion through utilization of inventions and improvement suggestions.

In spite of the achieved results, we cannot remain contented; the difference between the number of newly generated inventions and improvement suggestions is increasing in comparison to those that were newly applied in practice. Differences between the results achieved between comparable sectors and within sectors persist. There is a lack of full appreciation of the role of programs for planned development of generation of inventions and improvement suggestions designed for channeling this creative and stimulative activity from central authorities down to plants.

The KVOs of personnel in the metal-working industry of the South Moravian region found out in its survey that some of these "programs" were devised in enterprises merely in a general outline, without deadlines, without determining specific support and responsibility. That is why it adopted measures toward supporting ZO's of ROH in their specification for the remaining years of the Seventh 5-Year Plan.

Trade union associations should not be satisfied with mere participation in announcing and generating sectoral plans for goal-oriented tasks, but should substantiate their resolution by direct support to the improvement promoters' cadre. They should endeavor to acquire more effectively a widely based cadre of innovators for dealing with goal-oriented tasks designed toward innovation of products, advanced technology, economy and reduction of jobs posing occupational hazards, the more so because the ratio of solved tasks to those that are solicited annually remains at a mere one-third.

We are still forced to oppose manifestations of bureaucratism, indifferent attitude toward improvement promoters, condescending attitude of some managerial personnel, particularly where it is condoned by a tolerant approach of trade union organs. Deadlines for expediting submitted improvement suggestions are being exceeded; often there is a search for excuses for avoiding paying their authors the reward stipulated by law, or, at least, to lower it to a minimum. Insofar as some of the problem solvers manage to receive the reward through legal means, in some cases they find themselves in an atmosphere generated to imply that they were of no benefit to the organization but, on the contrary, "damaged" it by obtaining the reward. In many cases no use is made of the legally sanctioned possibility of rewarding those who on their own initiative participate in the implementation of inventions and improvement suggestions. Such an approach is in conflict with socialist morale and the interests of society.

We are even witnessing a paradoxical phenomenon, in that some managerial personnel, instead of providing active support to improvement promoters and inventors, relegate confrontation with them to the level of litigation in courts. From a summary of disputes relevant to improvement proposals decided by courts within their jurisdiction in the years 1970 through 1982, it follows that there occurred a sevenfold increase in their number. At the same time, 42 percent of them were ruled by the courts fully or partially in favor of the improvement promoters, obviously involving unnecessary disputes. The situation is analogous in disputes involving inventions, which increased almost five-fold in the specified period, and inventors were successful in half of the rulings on their asserted claims.

We point out with utmost urgency that ZV's of ROH still make insufficient use of their significant jurisdictional authority in conducting arbitration proceedings in connection with rewards for improvement proposals to make it unnecessary for our innovators to assert their rightful claims against economic management via litigation.

If we subscribe to defending the interests of these pioneers, it is our duty to come to their defense with an even closer adherence to principles and to develop additional forms that will aid them with regard to organization, methodology and consultation in their efforts as innovators. From this viewpoint we ascribe great importance to the clubs of improvement promoters and inventors. Even though clubs such as those in the East Slovak Ironworks of Kosice and the ROH House of Culture in Bratislava have proved their worth and operate very well, we have lagged and are still lagging in providing assistance to establishment of such clubs.

In the upcoming period all organs and organizations of ROH will be approaching the movement of inventors and improvement promoters with a much more demanding and responsible attitude which calls for:

- strengthening the role of committees in the fields of invention, improvement promotion and R&D at all levels and establishing a systematic cooperation with inventors and improvement promoters, establishing and providing for their use advisory and consultation centers in cooperation with the CSVTS [Czechoslovak Scientific and Technological Society];

- conducting in basic organizations, together with economic management, in the first quarter of 1984 a specific analysis of the state of the improvement promotion and inventors movements for the year 1983; endeavoring to increase the number of active improvement promoters and inventors, carrying out an audit of submitted proposals that have not been applied as yet; utilizing the contribution of this movement for compilation of the plan for 1985;

- providing at the sectoral level for operative and purposeful distribution of tested improvement proposals, inventions and efficiency measures and organizing transfer of new methods of operation within sectors and VHJ's;

- systematically applying arbitration proceedings toward improved aid to authors of improvement suggestions and of inventions and improving, in accordance with the resolution of URO presidium, the existing system for providing legal aid to improvers at the OOR and KOR level and establishing of a "Fiduciary Legal Protection Center for Inventors and Improvement Promoters at URO," as ROH is rightly their representative organization.

Continued Development of the KRB [expeditor teams] Movement

The 10th All-Trade Union Congress pointed out socialist comprehensive efficiency drive as one of the additional effective forms of promoting scientific and technological progress under significant participation by expeditor teams.

At the present time, more than 19,000 expeditor teams are participated in by 170,000 members, one-third of them workers. The results of their efforts brought for the year 1982 alone up to 27,000 efficiency improvements of a viable scientific and technological nature.

This involves in many a case contributions by expeditor teams that literally represent a significant advance in production and technology. That leads us more to asking ourselves the question of what constitutes the causes of their stagnation, lack of interest and inadequate support on the part of some ministers, managers and even trade union organs in whose sectors or enterprises such reductions occurred.

We see the weak points primarily in a subjective or overcautious approach, in random search for topics and problems calling for collective solutions, in

spontaneity in establishing work teams, in inadequate care for the actual activities of expeditor teams, in the future prospects for utilization and future development of work teams; simply put, there is a lack of systematic everyday ideological indoctrination and control on the part of economic and trade union organs.

Matters sometimes even progress so far that members of expeditor teams are forced to expend on their part a lot of time, effort and energy toward overcoming various obstacles, and arrange by themselves the requisite material and technical conditions without finding adequate understanding. For example, promotion of the production of modified quick-setting cements developed by a combined expeditor team from the School of Civil Engineering of the Czech Institute of Technology, laureate of the Prize of A. Zapotocky, which was documented by a set of inventions, took all these years since 1975 before succeeding in finding a producer. Only after many intricate negotiations, engaged in for several years even by URO, has production of this material been secured by decision of the CSR Ministry of Building as of next year in the VHJ Cement Mills and Lime Works Prague.

In the interest of continued motivation, the joint deliberations of the Presidium of the CSSR Government and of the URO secretariat decided to work out joint Principles for Uniform Organization, Assessment and Remuneration of Expeditor Teams. We strive not only for support of expeditor teams within enterprises, plants and scientific institutes, but also for their interplant and intersectoral activity, because complex R&D tasks call for closer cooperation also between individual organizations. This purpose is served by joint socialist pledges of expeditor teams and of entire organizations toward providing support to combining science with practice. ROH will lend its support to effective cooperation of scientific, research institutes and institutions of higher learning with organizations engaged in production.

Economizing With Fuels and Energy

From the viewpoint of accelerated economic growth it must be perceived that dynamism of the national economy is to be achieved at lower fuel and energy inputs and lower demands on energy. The effort toward economic and highly effective utilization of fuels and energy is not a matter of short-term concern, but a continuous process which inevitably will have to become the focal point of concerted effort by all work teams, in which it will be necessary to apply scientific and new technological findings, to include the upcoming nationwide examination of the consumption of fuel and energy. Its effectiveness is borne out by the overall number of suggestions from the first stage of the nationwide check-up that, amounting to more than 20,000. A good contribution was achieved through activities of the Trade Union Association of Personnel in Transportation and Highway Management in plants of the CSAD [Czechoslovak Automotive Transportation], where significant savings of petroleum were achieved in providing transportation services. Up to now, however, no success was encountered in expanding the introduction of some tested methods, modifications of technological equipment, measuring and control technology through sectors into additional enterprises or to other branches of the national economy.

--It is imperative that the nationwide check-up move forward as part of the measures providing for smooth progress of this winter period, that extraordinary production consultations be held in its support in January and February of 1984. That is one of the key joint tasks for ZV's of ROH as well as for the management of plants and enterprises for the upcoming first quarter of 1984.

--We deem it only correct that the best workers, technicians, foremen, innovators and improvement promoters who have demonstrably shared in promotion of efficiency oriented toward improved technology, savings of fuels, energy, metals, cement, lumber and other raw materials be awarded the honorary title of "Efficiency Promoter" with a bonus in the amount of Kcs 1,5000. Commensurate appreciation should be extended also to expeditor teams.

Sectoral, enterprise and plant councils of ROH must more than heretofore apply concerted effort in negotiating the plans for technological development within VHJ's and enterprises, in compilation of plans for technical-organizational measures, intraenterprise goal-oriented tasks and efficiency promotion programs. Justification for this is provided by the fact that the state plan for R&D represents only a part of the overall needs for the introduction of technological advances. Its focal point is constituted by the enterprise sphere where, however, technological progress is encountering various obstacles, indolent inertia and lack of understanding. Not even approximately one-tenth of implementational outputs from the state plan for technological development finds application in the production sphere. Utilization of the results of scientific research is also inadequate. Thus, the Research Institute for Machine Tools in Brno devised in cooperation with the Plants of Machining Technology in Prague a system for a concentrated cooperative pressing shop for large-volume cold shaping of up to 20,000 pressings, which brings energy and metals savings amounting to Kcs one-quarter billion annually with fast return on the expended investments.

However, efforts at achieving its application are meeting with a lack of understanding on the part of machinery users, who underestimate the comprehensive effectiveness of this new technology.

Systematic implementation of the resolutions of the Eighth Plenum of the CPCZ Central Committee makes it imperative to:

--embark in all organs and organizations on a widely based and continuously widening acquisition of workers, innovators and technicians for implementation of R&D programs;

--deepen cooperation of ROH with CSVTS to facilitate the combination of resources for supporting actual development of creative technical efforts of engineering and technical cadres and workers. We see another approach also in the adoption of programs for joint projects with the CSVTS at the level of associations, KOR and basic organizations, particularly the staging of Displays of New Technology, Displays of Quality, specialized technical seminars and organization of consultation services for expeditor teams;

--select in the activities of trade union organizations a differentiated approach to work with young technical intelligentsia; there is a need for deepening the cooperation of associations, OOR and KOR with the Union of Socialist Youth and jointly influence young workers and the ascending new generation toward placing higher demands for themselves in their personal and professional growth. Help at the KOR and KV level of the Union of Socialist Youth with establishment of stations of young technicians and natural scientists at cultural installations of the ROH and in project Zenith [community self-improvement program];

--improve the quality of technoeconomical propaganda and promotion for popularizing and disseminating solutions to important problems, innovative and operational methods and of Soviet experiences;

--improve at the same time the overall level of promoting specialized publications in the area of R&D, make the materials more convincing, topical and well programmed and issue through the publishing houses of Prace and Praca thematically-oriented publications. In the Central ROH School of A. Zapotocky and in the Slovak ROH School of F. Zupka it will be necessary to provide more intensive instruction in the area of tasks of ROH in the implementation of R&D. Problems attendant to the acceleration of R&D should receive top priority as part of all trade-union training and mass political work.

Implementation of all the goals of the plan for the fourth year of the current 5-year plan under more complex conditions calls for improved implementational capacity of the entire trade union movement, as pointed out by the Fifth Plenum of URO. This calls for placing high demands on the efforts of trade union associations and their more pronounced orientation toward specific and economic tasks of their sector. All-union organs are to increase their share of participation in providing for the meeting of regional plans for development, improvement of living conditions for the working people and an all-round development of ideological educational efforts.

The focal point for the efforts of the trade union movement from the viewpoint of promoting socioeconomic development is constituted by basic organizations whose work teams primarily decide about generation of material resources. URO is availing itself of this opportunity to show its appreciation for the efforts of ZV's of ROH, which at the head of basic organizations of ROH actively and purposefully approach the solution of pressing problems and tasks in the economy, technological development and care for workers in the spirit of the policy of the 16th CPCZ Congress and the 10th All-Union Congress. It appeals once again to the ZV's (PV's) of ROH to increase--in keeping with the Plan for ROH Activities for the Year 1984--their efforts, improve the level of everyday life within trade unions as well as the level of their role as organizers.

In view of the constructive results of dealings of URO with the government and analogous dealings between trade union and state organs, we attach extraordinary importance to deeper cooperation between ZV's of ROH with organs of economic management and, consequently, we deem it imperative that in 1984

all ZV's (OV's) of ROH program preparation and implementation of joint negotiations with economic management. These should deal with pressing problems regarding the plan, the economy, R&D, work discipline and industrial welfare. As part of this cooperation it is requisite to assert their own positions, in the spirit of intratrade union democracy assert the views of workers teams and adopt critical approaches with the objective of adopting effective measures and proceeding jointly in the interest of the common goal--providing for socioeconomic development of the organization.

If we summarize the tasks attendant to implementation of the plan for the national economy and acceleration of R&D, it becomes desirable to orient the efforts of higher organs of trade union associations primarily toward the following tasks:

1. Together with economic organs, concentrate active support in plants and enterprises which show a long-term lag behind planned quotas and adopt measures to support implementation of tasks of the plan for 1983.
2. Systematically require that economic management organs expediently break down tasks of the plan for 1984 for intraplant units down to individual work stations, provide for discussion of specific tasks in work teams and production consultations so that every work team and every worker be familiarized with his tasks and the technoeconomical conditions for meeting them; create in this manner the prerequisites for uniform realization and maintenance of the requisite dynamism from the beginning of the year.
3. Create together with state and economic organs all-round conditions for mass development of socialist competition and of creative initiative in commemoration of the 40th anniversary of the Slovak National Uprising, the 40th anniversary of the May Uprising of the Czech People and the 40th anniversary of the liberation of Czechoslovakia by the Soviet army. Purposefully organize adoption of socialist pledges by individuals, work teams and brigades of socialist labor toward meeting planned tasks and their exceeding in desirable directions. In production organizations concentrate in the desired direction on the movement "For Early Completion of Tasks of the Seventh 5-Year Plan!" Support development of the movement for one or more days' production from saved raw materials, fuels and energy, increasing the productivity of labor, quality and the technoeconomical level of products, wider innovation of products for the domestic market, timely meeting of tasks in exports, timely and quality meeting of the plan for capital construction, utilizing adoption of combined socialist pledges and expanding of international socialist competition. Generalize the experiences of leading brigades of socialist labor and stage BSP work meetings within plants and enterprises in the first half of 1984.
4. Undertake together with the leading organs of sectors and VHJ's an analysis of the development of the relation between wages and increased productivity of labor, assess the effects of the first stage of the economic effectiveness of wage systems, agree on approaches to channeling wage development in 1984

as well as expansion of brigade-type forms of organization of labor and of remuneration.

5. Offer support to ZV's of ROH in finalizing proposals for collective agreements in the interest of promoting key objectives in the economy, industrial welfare, system of incentives and educational activities; provide for their approval within the specified deadlines.

6. Discuss at joint sessions with leading organs of ministries and VHJ's plans for development of R&D, generation and protection of the working and living environment, adoption of specific measures for participation of workers in dealing with key problems. Actively support development of creative forces of the scientific and technical intelligentsia, particularly at R&D work centers, institutes of the Czechoslovak Academy of Sciences, planning and design organizations and in preproduction units with accelerated introduction of R&D into practice.

7. Purposefully channel development of the movement of inventors, improvement promoters and expeditor teams by updating every year the programs for planned development of generation and implementation of inventions and improvement suggestions, by soliciting adoption of goal-oriented tasks. Stage within sectors and VHJ's in the year 1984-1985 work meetings of expeditor teams to promote sharing of experiences and determining of their specific tasks.

8. Develop nationwide controls by ROH designed to eliminate shortcomings in the production process and strengthening technological discipline, work discipline and labor regulations. Develop forms of ideological enlightenment and technoeconomic propaganda in the interest of explaining the key directions and problems in the national economy and in R&D.

The Presidium of URO expresses its conviction that our workers class and other working people will express their full support for implementing the resolutions of the Eighth and Ninth Plenums of the CPCZ Central Committee primarily by their work activity, selflessness, unified political morale, consolidated gathering around the peace promoting program of the CPCZ. All trade union organs and organizations as well as ROH officials will exert their maximum efforts toward meeting the demanding tasks of economic and social development in the Seventh 5-Year Plan as promulgated by the 16th CPCZ Congress in the interest of providing social security for the people and strengthening the security and defense capability of our socialist country.

In indestructible friendship and alliance with the Soviet Union and other socialist countries, our people fulfill with a calm and resolute vision of the future Gottwald's legacy: "Strengthen peace by building your country!"

8204

CSO: 2400/125

GERMAN DEMOCRATIC REPUBLIC

BUDGET FOR 1984: WEST GERMAN DISCUSSION

Frankfurt FRANKFURTER ALLGEMEINE ZEITUNG in German 9 Dec 83 p 4

[Article signed "Gz": "Shifts in the Socialist Budget"]

[Text] Berlin, 8 Dec--The People's Chamber of the GDR has passed the national economic plan and the national budgetary plan for 1984. Both numerical projects mirror even more clearly than in previous years the efforts of the GDR to maintain as before the overall constant rate of growth but at the same time to force industry and agriculture to greater efforts and efficiency. These efforts are seen in the changes in the national budget plan; as expected, especially the comprehensive agrarian price reform has led to an enormous increase in the consumer subsidies. The planned rates of increase in the basic national economic data remain in the for the GDR now normal growth rates of between 3 and 6 percent. To be sure, the average growth rate of 5 percent foreseen in the 5-year-plan (1981-1985) has not been reached in any of the plan years so far. The 1984 plan figures are in part slightly above the plan data for the current year.

Under the Marxist formula of "intensively expanded reproduction," there is increased pressure on the industrial combines to produce if possible more, but at least as much as before with less use of labor and material. For the industrial ministries, which are over the 157 industrial combines, labor productivity is to rise by an above-average 7.3 percent, and that is after deducting the costs for material and for write-offs. In the combines, said Prime Minister Willy Stoph, an atmosphere of "creative intolerance" should lead to the elimination of the unjustified performance differences. Seen overall, however, Stoph, and recently Honecker as well, appeared satisfied with the performance of the GDR economy this year.

The national budget plan was presented by Finance Minister Hoefner in proportions that were, in parts, greatly shifted. The size of the budget increased by 1.3 percent from M205 billion to M231 billion. Most obvious on the expenditure side is the increase in "price supports to assure stable prices for basic-necessity goods and charges for the population" of 52 percent from M21.8 billion to M31.1 billion. This drastic increase in consumer subsidies, especially for foodstuffs, was necessary since the purchase prices effective 1 January for agricultural products of the cooperatives and state-owned farms should not lead to an increase in consumer prices. The agricultural cooperatives receive no

more subsidies for means of production; this budget item thus declined from M7.7 billion to M2.1 billion. The agrarian price reform is to contribute to reducing the "unjustified performance differences" among the cooperatives that were also deplored by Prime Minister Stoph. The targets for agriculture, especially the hectare yields to be achieved, are set very high. In Stoph's words, the GDR wants to arm itself against further periods of drought with a "broad mass initiative for simple irrigation measures."

On the revenue side, it is clear that the "state-owned economy," excluding agriculture, must pay substantially higher contributions to the budget; they are to increase by 13.3 percent from M139 billion to M158 billion. Beginning 1 January 1984, the industrial combines must pay out a sort of total wage tax equal to 70 percent of wages; the construction industry will not be affected until 1 January 1985. This enormous surcharge, which will only partially be offset, is considered a new "economic lever" and simultaneously the most important change in the system of economic accounting in the GDR's planned economy. This charge is a great burden for combines with a high wages component. The intention of the SED leadership is that it will lead to a more rational use of human labor.

Defense expenditures are above average with an increase of 7.2 percent to M12.2 billion. Expenditures for public security, administration of justice and securing the national borders increase from M4.4 to M4.7 billion.

Well under the rates of increase in the national economic plan, on the other hand, are the planned figures that indicate the living standard of the population. Retail sales volume and "net monetary receipts," which were planned to increase by 3 percent in 1983 (1982: 4 percent), are to increase by only 2.2 percent. Completely out of place is the figure named for the area of foreign trade: in 1982, an increase of 15 percent was planned for the volume of foreign trade, and in 1983 growth was to be 13 percent. In 1984, it is to be only 5 percent. Obviously, double-digit growth rates have proved to be unrealistic.

In the upcoming 35th anniversary year of the founding of the GDR, GDR workers are being called upon to "bring forth great new labor feats." This also means the maintenance of the sustained strong new construction activity, an increase in the production of crude lignite from 278 million to 283 million tons and a sizable increase in the production of components for microelectronics. The GDR is obviously again in a position to increase the greatly reduced investment from M47 billion to M49 billion.

9746
CSO: 2300/183

HUNGARY

PRELUDE TO FURTHER REFORM: '84 REGULATORS

Budapest MAGYAR HIRLAP in Hungarian 29 Nov 83 p 3

[Article by Matko Istvan: "Regulators"]

[Text] I am looking at a particular joke in my favorite paper the LUDAS MATYI: a figure with a white cane leading his sightless companion on the road. The former bears a sign 'regulators', the latter one 'the enterprise'. It is scarcely necessary to brood over the idea whether its sketcher had intended his communication to be a joke and whether it simplifies the matter or not. The fact is that we have a dispute traditionally at the end of the year, on schedule, about the announced new regulators. The zeal of the arguments, the manifestations may differ from each other depending on whether the questions appear place in the comic journal, the Ministry of Finance, the office of another policy making organization of the state, or the noisy hall of the plant of an enterprise.

There is nothing for us to be shocked about the dispute. Nevertheless, there is still a reason that makes me bring to the open this year's dispute incited by the regulators--the reception--namely that the present year's modifications are not really the customary ones. It is no exaggeration to claim that the present changing of the economic mechanism has at least multiple meaning. It is addressed to the 'immediate' future, however, it is also the 'harbinger' of the new reform stage. In examining the regulators as well as their reception from this aspect, it is worthwhile interpreting and analyzing their intentions--and the medium in which they must exert their influence.

First of all, it might appear that the change is more resolute and more exacting than last year's, particularly, as we experienced it during past years. Its executors have been more consistently realistic now than in the past. They have taken into consideration that the accomplishments of the industry failed to meet expectations because of known causes, and, unfortunately, our food industry was also hit gravely and unexpectedly by the drought. With some simplification, 'the income that we had reckoned upon failed to materialize, nonetheless, the loss cannot exempt us from our committed national objectives. Maintenance of the foreign trade balance, its strengthening is a vital condition for the present and future, while in

the meantime we have to protect the social security of our country and our achievements.

From where could new resources be regrouped for this purpose; from where could we draw the price of balance?

And, this is not the only dilemma. The economic mechanism had to be reorganized so that it could comply simultaneously with the requirements of the moment--restricting the purchasing power of the enterprises, limiting monetary outflow--while not counteracting our conceptions for the distant future. It should help the development of enterprise independence; it should not interfere excessively in the division of labor, but rather let market mechanisms prevail....

It is a contradiction that is hard to solve--however, one had to tackle it. And, for this reason, it is important to know that the effectiveness of the modifications was less restricted this time by bargaining, the lack of understanding on the part of the enterprises and others. (We shouldn't forget, that in the beginning there was plan bargaining, a peculiar game between the leaders and the led, then followed by the same game with the regulators. For a long time, well-placed ripostes, originating from the sphere of the enterprises or elsewhere, quite successfully blunted some necessary measures. Nevertheless, it seems now that time is teaching us to comprehend that such victories are Pyrrhic victories.)

I am, of course, far from trying to maintain hereby that the changing system of economic conditions starting with January 1984 was conceived in the spirit of peaceful acquiescence. Just to the contrary, the organizations concerned with it--not in the last place the government--have spent more time in reconciliation, and substantive debate of merits, than ever before. The enterprises, the managers agreed that the current situation indeed demands greater severity, more stringent conditions than ever before. They recognized the fact that the state cannot extend a protective umbrella over them against the hailstorms of the world markets, the world economy, and that they cannot expect support in bearing the growing burdens. Anyway, it had also been proven that such type of supports help only temporarily--in the long run, they conduce to the inevitable weakening of the competitiveness of the enterprises.

Neither should we remain silent about the divergence of opinions. The managers would like to have more normative regulators that would fix the requirements in advance and would be more reliable. Regulators of a kind that in case of performance or nonperformance, would not make the conduct of the supervisory organs dependent on inconceivable as well as subjective considerations. And finally [they would like regulators which make it clear] whether or not, the enterprise would get the necessary resources, investments, etc. The wish is understandable; the regulators should be calculable and consistent. If the production of those who are progressing dynamically yielded good profits, then they should be permitted to use it for the maintenance of the dynamism and not for the sustenance of ailing. And, of course, severity shouldn't be lost in respect to the unsalvageable losers where a judgment has to be passed on them...

Also certain doubts arose as to 'whether or not the enterprise business community that plays a definite part in the formation of the national gross income would not become impoverished due to the fact that the cost of live labor had become considerably (10 per cent) more expensive. In another aspect, how does this measure affect those who struggle against difficulties in their development programs while their products are indispensable for the people's economy? Their diminishing profits will suffice for neither men nor machinery.

However, the sober judgment is right in all probability in that the regulators cannot be judged on the basis of from whom they take away money and where they redistribute it when the economy is proceeding on the compulsory tracks of the economic laws. Presently, no other sort of regulators could have been introduced--now the circumstances formulated these regulations. Consequently, the key of this situation and of success is not concealed in some sort of new interpretation of them, in some kind of private entrance revision, but in the conduct of those who are going to apply them. It depends on how much we will be able to accomplish from our accumulated--we cannot deny it--complicated tasks which are even further aggravated by external-internal troubles.

Hence, it is true also because this year's modification of the regulators, although it attempted "to foresee" the course of the reform, still does not represent fundamental structural changes in the sphere of enterprise mobility relative to income, interest and structure. The continuation--for the next year and thereafter--promises much more than that of today, a course on which the enterprise will find itself in a new position such that will be more independent and more responsible, hopefully in circumstances where it could proceed ahead guided by clearer directions of plainer orientation points. Even if this remains to be seen, the fact should not be underrated, --the perspective already can be seen, the course of progress is perceptible, as well as the kinetics of transformation--these all belong to an evaluation of present situation.

Therefore, one should take cognisance of the fact now at the time of the recent and transitional provisions, that the economic regulations of the coming years are based upon the strengthening of enterprises self-reliance. Further, that the concepts now being formed give a considerably larger role than heretofore assigned to the self-adjusting market mechanism, to rational entrepreneurial conduct based on property interest. And, that in the socialist economic system the ability of self-regeneration will gain greater and greater importance and that entrepreneurial self-reliance can enjoy real possibilities of decision making, risk-taking and income earning.

And until then?--up to that time we have to get over a difficult period; we have to redeem the possibilities of the future. The more liberating system of regulators, as well.

12520

CSO: 2500/116

HUNGARY

NEW, DUAL PURPOSE CREDIT POLICY BEGINS IN '84

National Bank Views

Budapest NEPSZABADSAG in Hungarian 21 Dec 83 p 10

[Article by Dr Rezso Palkovits, vice president of the Hungarian National Bank: "Credit Policy in 1984"]

[Text] Credit policy, the practice of the bank in carrying out that policy, and credit attitudes have an important role to play in the attainment of the goals of the economic plan. The main goals of credit policy will not be changed in 1984, but its area of mobility will be relatively limited within the possibilities afforded by the plan.

Investments Benefiting from Support

Among the investment endeavors of enterprises and cooperatives, the bank can primarily support those which create new export capacities for improving the external equilibrium, increasing thereby the mass of exportable goods, or serving to maintain the level of existing capacities. Within this framework, preference will be given to developments designed for energy rationalization, modernization of material management, and promoting the utilization of waste and used raw materials. Application guidelines for the development of grain production and storage and for the modernization of energy consumption were published in 1983. In the financing of these goals --in addition to domestic sources--credits offered by the World Bank for International Reconstruction and Development will also have a role. With these goals it will be possible to license new credit requests in accordance with requirements.

The possibilities for investment credit extension will decline somewhat in 1984 as compared to 1983. Although as a consequence of credit grants of 22 billion forints and the repayment of 21 billion forints the credit reserve could rise by 1 billion forints, only a part of the above-mentioned goals --and to a very limited extent--could possibly be realized because of credits granted in previous years. To improve the possibilities for undertaking obligations the bank will continue the previous practice of reviewing at the beginning of the year contracts which are still in effect, and where it perceives possibilities--either because of the modification of investment

goals or a lag in implementation--it will initiate the modification of contracts, the postponement of investments or--if the original goal becomes superfluous--the termination of the credit contract. The credits released as a result of the review will at the same time create a possibility of granting credits to investments that must be supported.

The condition system for investment credits--with the exception of modifications designed to modernize the credit system--will not change. The profitability requirements for investments will remain the same, as will the extent of internal sources that are required and the repayment tenure.

In respect to the profitability requirements--because of the development of credit competition--the prescription of a unified requirement appeared justified, but this cannot be done now because of the mutability of the price formation principles and as a consequence of the different profit relations.

The unified extent of internal sources obligatory on everyone was annulled by the bank in 1981 by decreeing that the internal resources may be different in magnitude from enterprise to enterprise, but in the sum total of the national economy it is necessary to assure the existence of the earlier ratio (30 percent). As a result of the selective and correspondingly strict credit licensing practice, the share of the internal resources in investment sources in 1982 was on the average 33 percent, and 38 percent in the first 10 months of 1983. The shortening of the repayment tenure--at present the average is 10 years--is no longer timely given the present ratios of enterprise revenue withdrawal and amortization centralization.

Without modifying the above-mentioned elements of the condition system, the bank will be able in practice to grant credit requests for the purchase of small auxiliary-type equipment with a short maturity date, where the profitability that can be realistically expected is high and the ratio of internal resources together will make for the shortest repayment time possible.

Steady Money Supply

With working capital credit the bank wishes to continue assuring a steady money supply for production and trade, but it also seeks to influence enterprise management with strict credit judgment and conditions, including primarily the formation of inventories.

Inventories will be lower than planned in 1983. In addition to many other factors a role is played here by a review which extended to almost every enterprise and which the bank conducted together with the National Material and Price Office; as a result it drew off from a number of enterprises circulating capital goods corresponding in value to the excessive inventories. Such reviews must be also held in the future. The plan is counting on a small inventory increase, like the one this year, of 1.5 to 2 percent. In order to promote observance of credit grants and targets, it will in general

be necessary to maintain present credit conditions or follow earlier practice, strengthening in this respect the selectivity of credit grants.

Several minor modifications in the financing of working capital will make it possible to grant credits more flexibly. The new regulation makes it possible for the bank to grant exemptions from working capital replenishment requirements corresponding to the permanent working capital increment of certain activities. For example, it will be possible for the bank to grant exemptions from the replenishment requirement for inventory increases deriving from the exploitation of cyclical advantages.

The bank wishes to promote the financing by TEK [Capital Equipment Marketing Enterprise] units of inventories purchased from other enterprises, housing construction for market sales, and hotel reconstruction by means of medium-term working capital credits, repayable from sales revenue. The interest system--that is, the interest mechanism--changes substantially with both short and long term credits. In recent years the bank's interest rates have risen a number of times, and beginning on 1 July 1983--aside from several exceptions--they have been unified. In the manner of international practice, this created the conditions for the bank to use an interest system in which interest conditions for deposits and credits could flexibly and rapidly follow the changes in credit costs, something which may also be suitable for a certain regulation of the internal cycle. Beginning on 1 January the credit interest rates will be determined by the combined extent of the prevailing governmental bank of issues' interest rate and the interest margin set forth in the contract. The government interest rate determined by the bank provides the means for regulating the cycle, while the interest margin serves as the cover for the credit risk--in case of foreign credit sources the exchange-rate risk. It is in the nature of the system that the central interest rate, during the period of the credit contract, may change a number of times, whereas the interest margin remains fixed.

Interest Rate Factors

What kind of factors determine the government interest rate, or what are the objective factors in response to which the bank modifies it? The most essential is the development of the credit sources, including foreign credits. Domestically, this is the same as the interest paid on the obligated deposits of the income owners, basically of the economic organizations, and in the case of foreign credit sources it is the same as the credit interest rate used vis-a-vis ourselves, which according to international practice is changed quarterly or every half year. Other change factors are attitudes stemming from internal economic processes, namely, whether in a given period we want--according to our economic policy--to stimulate or restrict certain economic activities. In order to make it possible for the bank to meet requirements, the bank president has been authorized to change--raise or lower--annually by a maximum of 2 percent the government interest rate of the bank of issue and the interest rate on deposits placed by economic organizations.

With the introduction of the new interest system the magnitude of the government interest rate corresponds to the rate on permanent deposits --committed for a year or two--made on the basis of the voluntary determination of economic organizations. At present the bank pays 9 percent interest on 1-year deposits and 11 percent on 2-year deposits. These represent a positive, real interest which exceeds the rise in producer prices and in certain areas brings the enterprises greater income than the investment yield, and thus are incentives to savings. Interest on long term credits is annually 14 percent, and on short term credits 13 percent. These will not be changed on 1 January. The degree of profit margin between these interest rates and the government interest rate detailed in the foregoing is 3 percent for long term credits and 4 percent for short term credits.

The new interest system will not change the interest rate for credits where interest depends directly on given foreign credit sources. These include, for example, the credits granted in the framework of the Austrian-Hungarian tourist program or the interest rate on certain credits (special export credit, revolving export certification discount) linked to export. Interest rates established prior to 1 July 1983 remain in effect for credits bearing 6 percent or less interest and are licensed for agricultural operations, where accelerated payment has been accepted by the farms.

It is a substantial change in the present interest system that beginning 1 January the possibility for retroactive interest reimbursement will be terminated, or since it is in general alien to bank activity this incentive task will be taken over by the state, the central government. On the other hand, it will continue to be the task of the bank apparatus to verify the justifiability of the rebate.

The proper use of the new interest system--meaning that it is well suited to economic life and adjusts rapidly to change--is an appropriate means for the bank to give incentive to the realization of economic political goals, but at the same time to restrict and prevent uneconomic production, inefficient and superfluous investments and inventory accumulation.

Flexible Interest Mechanism

Budapest FIGYELO in Hungarian 22 Dec 83 p 15

[Article by Laszlo Body: "Flexible Interest Mechanism"]

[Text] The main goals of credit policy are the same for 1984, but the limitations of their area of mobility bring conditions that are even more difficult for managers. In the socialist sector we must reduce investments by 2 to 3 percent as compared to targets for 1983, and by 10 percent as compared to actual volume. Therefore the investment credit possibilities of the bank cannot be increased in 1984. The stock of investment credits may increase altogether by 1 billion forints as the balance between the granting of 22 billion forints and the repayment of 21 billion forints. But this credit possibility is exceeded by obligations undertaken and credit demands already acknowledged. In order that the minimal mobility

possibility of the bank can be established even under such conditions, according to the practice which has developed in recent years we must review at the beginning of the year the credit contracts which were signed. In agreement with the enterprises and in harmony with the investment processes, a part of the credits will be given up by the banks, or rescheduled.

Balance requirements made it necessary to continue maintaining measures for the temporarily planned regulation of purchasing power, and we must significantly raise the payment (withdrawal) obligation that occurs from the development funds. This affects the enterprises sensitively and may influence the repayment of existing credit debts. Presumably there will be fewer opportunities for exceptional payments.

In the case of working capital credits as compared to 1983 we can count on an increase of 8 to 9 percent. Inventory stocks developed more favorably in 1983 than expected. In 1984 the plan is counting--at comparable prices--on an inventory stock increase of 1.5 to 2 percent, which corresponds to a value of 22 to 24 billion forints in inventory accumulation.

The maintenance of working-capital credit issue within the planned framework is made difficult not primarily by the financing demand of inventory accumulation, but because with certain changes that have occurred in the means of regulation the sums which play a role in the temporary sources of enterprise financing have decreased. We must carefully weigh how long and to what extent we are justified in making up for lost sources with credits. It would not be proper if the constraint on enterprises by economic management to do better, more efficient work were eased by credit means. Thus we must count on a strict working capital credit similar to what we have had thus far. However, the bank is careful to see that temporary demands are met by short-term credits and that economic processes are not inhibited but helped out.

Difficulties in selling on foreign markets are also reflected in export payment conditions. The overall repayment time is increasing, and there are many debts outstanding beyond the terminal date. The bank grants credits for outstanding debts in convertible account export up to the actual terminal date, but not for overdue claims. The enterprises must strive to see that appropriate payment conditions are set in the contracts and perhaps that revolving certifications may be obtained. But all means must be employed for collecting overdue accounts.

A New Interest System

Credit conditions will not be basically modified in 1984, and the most substantial changes will occur in the interest mechanism. It is well known that in the past 2 years, interest rates have risen considerably, and there was opportunity also for raising the interest rates on deposits already made. In 1983, however, the interests on medium and long term credits were unified, that is, interest on low interest credits negotiated a long time ago was raised to the interest level in effect today, and at the same time

the interest on short term credits was reduced by 1 percent. Studies show that the interest level on credits formed in this way--although very high--are in harmony with the interest paid for foreign resources by the Hungarian economy, with deposit interests, and at the same time it creates sensitiveness to the government intention directed at moderating domestic consumption and investments. For this reason credit and deposit interests will not be changed on 1 January 1984.

The unification of the interest rates at the same time created conditions for the operation of an interest system--as in international practice--where the formation of the interest on deposits and credits can follow more flexibly the changes in the purchase prices for credit sources, that is to say, from the viewpoint of regulating the domestic cycle it is possible to carry out a justifiable modification in an operational way. Accordingly, since 1 January 1984 the interest on credit is determined by the prevailing interest rates charged by the bank of issue and, moreover, by the combined sum of the interest margins defined in the contracts. At present the interest rate of the bank of issue is adjusted, on the basis of the voluntary determination of the managing organs, to the interest rate on deposits that are committed for 1 or 2 years. Credit policy guidelines in the future will determine the interest rates of the bank of issue and also the interest margin among the credit interest rates. What is the basis for determining the interest rate of the bank of issue? On the basis of changes in what basic factors may the interest rate of a bank of issue be modified? One such factor is the purchase price cost of foreign credit sources, or the interest rates paid for credits by the Hungarian National Bank. It is the general practice in the world today for creditors to stipulate a mobile interest rate, and in the case of medium and long term credits the interest rate is corrected quarterly or semiannually. (The World Bank, for example, can change the stipulated interests every half year.) The other factor is a requirement stemming from the regulation of domestic purchasing power and generally from the influence of economic process, or whether in a given period it is necessary to quicken or restrict economic activity, or certain areas of economic life. This point of view always requires concrete weighing, but obviously interest policy measures, even on this basis, cannot ignore the purchase price costs of foreign sources. Finally, it is necessary to take domestic price policy into account, or the specific price inflation in order that the interest of the bank of issue or the enterprise deposit interest should result in real interest.

At present the bank pays 9 or 11 percent interest on one- or two-year deposits, made by economic organizations--with their own decision making. Interest on deposits represent for the economic organizations a positive, real interest, that is, they exceed the annual rises for producer prices. The interest margin between the interest rate of the bank of issue and the credit interest rate is 3 percent in the case of long term credits and 4 percent in the case of short term credits. This interest margin corresponds generally to the extent which it can be used for loans taken from international financial organizations to be used for further credit, taking into account bank costs and the fact that exchange rate risks are assumed by the bank. The dollar money-market interest rates have fallen from a very

high 18 to 20 percent, but recently they have not declined, and in fact the high interest rates have become solidified. Thus in the first half of this year we cannot count on the reduction of domestic interests, but it may also be anticipated that they will not rise.

Since the interest margin is constant for the tenure of the credit contract, the change in bank of issue interest rates will at the same time automatically modify the interest rates for credit and deposits. The bank president has been authorized to annually raise or reduce at most by 2 percent the interest rates of the bank of issue, as well as the interest rate on deposits made by enterprises, cooperatives and councils.

It has frequently evoked keen opposition when the bank has used the rise in credit interest rates for existing credit reserves. Even the legality of such retroactive rises in the interest rates has been questioned. Formerly this was done on the basis of authorization granted by government decree; at present--in accordance with international practice--the bank stipulates in the credit contract its right to change the interest rate.

It is an important change that retroactive reductions in interest rates will be eliminated. Such reductions are in general alien to bank activity based on profitability, and therefore it is proper if this otherwise justified incentive is charged not to the bank but to the state budget. The finance minister is taking measures under a special statutory provision to regulate this with the simultaneous reduction of legal entitlements and extent. It remains the task of the bank apparatus, however, to judge the legality of the reductions on the basis of enterprise data.

Profitability Requirements

The profitability requirements for investments will not be changed. The effective implementation of this criterion would demand that uniformity of requirements extend to every branch. It is not now possible, however, to take this step; besides other conditions it is necessary that the unified price formation principles should be realized in the various activities. A rise in profitability minimums cannot be considered because certain measures (for example, a raise in the social security allowance) would presumably lower the profit. In its credit practice the bank will strive to see that among the developments that promise great profitability only those will receive credit where the short repayment deadline fixed in the contract will about guarantee the promised yield. At the same time the bank's far reaching steps try to prevent the enterprises from irresponsibly undertaking the attainment of high profitability so as to receive the credit at any cost.

Advantage to Export

The announced condition system for investment credits to expand convertible export goods will not be changed. The requirement system for export development credits has become more strict in recent years. In the

interest of realizing the targeted foreign trade balance surplus, of further increasing sales under unfavorable market conditions, and of maintaining or renovating the performance capability of export capacities that can be advantageously exploited, the bank wishes to proceed in a more nuanced and flexible way with its credit practices.

Credit policy guidelines will continue to avoid prescribing an obligatory extent for internal sources. As a consequence of stricter credit practices, the share of internal resources in investments financed by credit increased on an average by 33 percent in 1982 and 39 percent in the first half year of 1983. The present system assures an appropriate freedom of mobility for the enterprise and the bank. At the same time, credit practice must achieve bringing about a situation where there will be opportunity to continue bringing in as great an extent of internal resources as possible from development funds. In the interest of increasing credit security, there is otherwise need of this but the final terms of maturity can also be reduced in this way.

For the time being there will be no opportunity for the institutional shortening of credit terms of maturity, although important interests are linked to a decrease in the overall repayment time. The bank meets first of all those credit demands which seek to promote the purchase of small, auxiliary-type furnishings and equipment or which support developments where the implementation time is short and moreover where the appropriate share of internal resources in financing and high profitability together makes repayment possible in the shortest time.

New credit conditions also developed in regard to developments financed by international financial organizations. It was not purposeful to build these completely into the credit policy guidelines because this would have made it more difficult to flexibly follow the changes that arose in the meantime, but the Council of Ministers authorized the bank presidents to adopt different conditions. The departments responsible for certain developmental goals give the enterprises guidance concerning these conditions.

Working Capital Financing

Several modifications of minor importance in the financing of permanent inventory increments will make the realization of certain justified corrections flexible. There will be greater flexibility in the financing of inventories taken over and purchased from industrial enterprises by TEK [Capital Equipment Marketing Enterprise], in stimulating housing construction for market sale, and in the financing of certain hotel reconstruction tasks.

As a consequence of the termination of compulsory reserve fund formation, the credit projects which were linked to it will also be eliminated. At the same time, reserve formation on the basis of voluntary determination will require a new approach from credit practice. In establishing the repayment details for development credits, the bank will acknowledge the previous

reserve building of the developmental fund absolutely necessary for level maintenance and replacement, however, with voluntary reserve building the bank will keep in sight primarily credit security and more rapid conversion of the loan, and for this reason will it establish a more intensive rate of repayment.

Table. Interest Rates and Credit Tenure (1 January 1984)

Designation	Interest Rate (annual percent)	Maximum Maturation (years) ¹⁾
I. State (development) loans ²⁾	13	10
II. Long and medium term credits		
1. Investment credits ^{2) 3)}		
--in general	14	10
--for investments to expand convertible export goods	14	12
--for credits to realize investments in agricultural activity	14	15
--developments for economic import substitution ⁴⁾	14	12
--for development designed for rationalization of energy consumption and economic energy savings ^{4) 5)}	14	12
2. Medium term credits advanced to the development fund	14	12
3. Other credits (for council development, hydraulic fund, etc.)	14 ⁶⁾	3
4. Medium term credits advanced to the circulating fund	14 ⁶⁾	10
--in general	14 ⁶⁾	3
--subsequent financial settlement of working capital increment	15	the nearest point of time for accounting of results
--for the expansion of consumer, communal, public works, health, and cultural services	14	5
--if linked to investments	14	may be the same as maturation of investment credits and/or state loans
5. Medium term working capital credits (repayable from sales revenue)	14 ⁶⁾	3
6. Medium term special credits for primary contracting	14 ⁶⁾	5

7. Innovation credits	14 ⁶⁾	3
8. Firm credits for nonruble export	8.25 ⁸⁾	adjusted to maturation of firm credit
9. Rehabilitation credits	14 ⁶⁾	5
10. Credits advanced for technical development funds	14 ⁶⁾	3
11. Discounting of revolving export documents		
--for 180 days	6	-
--for more than 180 days	7	-
III. Short term credits		
1. Short term incidental working capital credits	13	1
2. Credits to supplement circulating fund	13	1 ⁷⁾
3. Amortization advance in the calendar year	13	1
4. Short term advance credit for the technical development fund	13	1
1) Expiration beginning from time of use possibility, in the case of state and long term loans the time indicated in the original contract for starting operation.		
2) These credits may be subject to an additional 1 percent interest if this is justified by the interest charge and conditions, considering the magnitude of international interest rates.		
3) In justifiable cases the expiration time may be 12 years for technical development enterprises.		
4) The conditions (maturation) of credits offered to help support industrial developments indirectly for these goals may be the same.		
5) If the investment conversion time exceeds 3 years, the maximum expiration period is 10 years; if the conversion time is 3 years or less then 12 years.		
6) Thirteen percent in the case of credits outstanding for 12 months or less.		
7) Must be renewed annually.		
8) May change in accordance with prevailing international money-market rates.		

6691

CSO: 2500/146

RESULTS, TASKS OF ENERGY RATIONALIZATION PROGRAM EXAMINED

Budapest HETI VILAGGAZDASAG in Hungarian No 45, 5 Nov 83 pp 46-47

Interview with Győző Wiegand, director of the State Energy Authority, by Eva Körtvélyes: "An Expert in Energy Replies: Growth Rate of Energy Use Has Declined Considerably"; date and place of interview not specified

Text The data sounds good: while Hungary's national income increased by five percent between 1978 and 1982, its energy consumption per unit of national income decreased. The question, of course, is how big a role did the slowdown in economic growth play in this phenomenon, and what the actual savings were brought about by the energy rationalization program announced in 1980. What kind of balance can we strike now at the program's halfway point, and, in this field, what can productive businesses and households reckon with in the future? We put these questions to Győző Wiegand (age 48), director of the State Energy Authority.

Question In Hungary one energy source has always enjoyed priority. I'm thinking of coal in the 1950s and then, later on, oil. What kind of era are we living in now?

Answer By the end of the 1970s a strategy had evolved for a combined energy policy whose important fundamental principle is that no single energy source receives absolute priority. The primary goal is to develop, among the various energy sources, a ratio that would result in the least possible expenditure for energy on the national economic level. Naturally, this doesn't mean that we're no longer going to look at oil, for example, because it's too expensive. We'll continue to make use of oil--to a decreasing degree, it's true--but as far as possible we won't burn it. Instead we'll manufacture more valuable products from it, like gasoline and diesel oil.

Question The objective of the combined energy policy strategy is clear. Nevertheless, won't the accommodation, dealing with the situation of the moment, lead to hasty, incorrect decisions in those areas where decisions and investments yield results only after the passage of several years?

Answer A drastic change in energy prices on the world market is not likely. In the long-range planning for our energy consumption we want the larger part to be from domestic sources. Accordingly, we need to decrease

oil consumption and increase the use of coal through domestic production. The issue of natural gas is no longer so unambiguous. Domestic reserves are limited; annually we can count on 7 billion cubic meters at most, and anything above that we're required to import. At the present time--and the future outlook is similar--it may be cheaper to obtain natural gas from abroad than oil. As far as the investments in energy rationalization are concerned, if they are profitable today, they can only become more profitable in the future. In short, these investments can always be recovered.

Question The energy rationalization program came into being fairly late, in 1980, after the oil-price explosion of 1974. Three years have passed. How far have we come in implementing the program?

Answer In the course of the sixth Five-Year Plan the government is allotting 15 billion forints for energy rationalization, exactly five times as much as in the preceding plan period. Of this sum loans from the State Development Bank, as well as nonrefundable state subsidies, account for two billion forints, while the remainder is from business sources and credit from the Hungarian National Bank. Business enterprises can obtain credit through competition. Up to this point nearly 2200 bids have come in, their value being approximately 34.6 billion forints. Of these we accepted 984, and their investment value is 19.7 billion forints. Although this sum is larger than the allocated funds, it is still possible to compete, and if reasonable, we'll accept the application. A part of the approved rationalization investments is a large investment scheme which will not be completed until 1985, so that their expenditures will not be a burden on this plan period.

Question If I understand correctly, not only did we have to wait a long time for the program to come into being, but also its implementation is sluggish. Halfway through the plan period--mathematically at least--merely one-fifth of the program was realized.

Answer Thus, this is not tenable. For one thing, because we have to figure on a stagnant period of at least one year for the investments to be put into effect, and, for another thing, because out of the 19 billion forints nearly 12 billion go to the 20 largest investments, for which the transit time is several years. With one exception, these are presently in process. If we take into account the state of readiness of the investments in process, then implementation during the first half of the program is about 40 percent.

Question Viewpoints on our computations differ. In spite of this difference there may be a common index: the extent to which these investments are really efficient. One of the prerequisites for this is the acquisition of the necessary technology. To what extent and in which areas can the credit obtained this summer from the World Bank be of help?

Answer We're actually receiving 109 million dollars for this purpose. A good part of the energy-rationalization investments requires machinery imported from capitalist countries, and we'll use this credit to pay for these imports. The investments can be divided into two groups; one consists

of the larger individual investments, and the other is a package plan made up of smaller investments. With the credit from the World Bank we are financing in part the idea of making our energy consumption more efficient, the substitution of oil with coal, as well as investments for improving and upgrading the coal, which means the coal would be of greater value. A considerable amount is going to the natural-gas program, and again some is for smaller energy-rationalization investments.

Question One often hears that the stagnancy of our energy consumption is due not to thriftier, more sensible energy management but rather to the fact that the economy has been set to operate at a slower speed.

Answer Two-thirds of our energy savings have indeed been brought about by the slowdown in the economy's growth, but one-third is unequivocally the result of thriftiness. According to the most recent data in the first half of this year--compared with the same period in 1982--energy consumption has decreased by four percent. According to our calculations 70 percent of the slowdown stems from the slower growth rate and the extremely mild weather, 30 percent, however, from the austerity measures.

Question In the last analysis where and how will the anticipated savings be perceptible?

Answer On the one hand, the energy rationalization program wished to achieve absolute savings, and, on the other hand, relative savings--by means of a structural change in the use of energy sources. Experience shows that we were able to save less energy than the scheduled amount; however, the so-called exchange quota turned out to be more than expected. I'm thinking here primarily of the changeover from oil to gas. What's worrisome, however, is that even today the structure of natural-gas consumption is unfavorable. Though it is clear to us that the chemical industry and the population at large consume natural gas in the most efficient manner, in Hungary the general population accounts for merely 12 percent of the total consumption of natural gas. Or: according to the original plans by now oil should have been replaced by coal to a significant degree. This did not even come close to happening. There wasn't much demand for coal from the consumers, and the mines didn't increase their production significantly.

Question What proportion does the general population "represent" within the total consumption? Are households affected by the austerity propaganda and, more to the point, by the measures which touch our pocketbooks?

Answer The population at large accounts for one-fourth of the country's total energy use, the population at large and public institutions together one-third, industry and agriculture the remaining two-thirds. It's true that from 1978 to 1982 Hungary's total energy consumption did not increase; the internal proportion did, however, change. While energy use in the production sector generally decreased, in the population at large it increased. At best we can say that the reaction of the general population to the austerity measures was such that the growth rate of energy use declined considerably. A significant structural change also took place. The consumption

of heating oil declined very strongly, while that of coal increased somewhat; the use of gas and electric power rose sharply. Gasoline consumption went down considerably.

Question While the buyer is still waiting years for a gasoline-wasting automobile, he has time to reflect that this energy policy, which has an influence on his life, is sometimes one-sided. The consumer is urged by various means to be more thrifty, and yet at the same time he finds that the energy-saving devices are unavailable. When they occasionally are available, it's at a price way out of proportion to the expected energy savings.

Answer This is a difficult and thorny problem. To begin with, while we furnish energy to business concerns and cooperatives, i.e., producers at nearly the world market price, the population at large pays much less--with the exception of gasoline. Price increases, however, are always tied into the question of living standards. The other side of the issue is the supply of energy-consuming household appliances. I must say that within the socialist camp generally, we have nothing to be ashamed of when it comes to the development and manufacture of energy-saving appliances. It is a fact, however, that our domestic producers are export-oriented, and the authentic energy-saving appliances do not find a ready domestic market.

12327

CSO: 2500/125

PLAN FOR 1984 RATED ON MANPOWER, INCOME POLICIES

Warsaw RZECZPOSPOLITA in Polish 8 Dec 83 p 2

[Article by Ada Kostrz]

[Excerpts] Increasing production of consumer goods and goods for export is one of the basic targets of the 1984 Central Annual Plan. Given the projected 4.5-5.5 percent growth in total production, the quantity of consumer goods should go up by 7 percent.

This improvement is still too small to meet public demand in full. However, the key indices in the plan have been based on a realistic analysis of manpower and raw material resources, including imported materials, whose volume has fallen considerably and will continue to be limited because of the U.S. restrictions.

If the range and quantity of goods available in the shops is to improve, there has to be efficient use of raw materials and energy, and optimum utilization of manpower resources, particularly in those factories producing consumer goods.

Due to a combination of demographic and social factors, the size of the workforce will not grow in 1984. Those leaving schools and universities will simply replace those retiring and women taking maternity leaves.

This calls for economical use of manpower, a rationalization of employment and the elimination of excessive manpower in administration. Manufacturing, however, will continue to occupy a special place in employment policy. Appropriate steps will have to be taken to discourage workers from leaving factories, especially those producing consumer goods and goods for exports. This should be facilitated by more convenient credit terms, tax relief and lower contributions to the Labor Redeployment Fund [FAZ] for selected manufacturers.

This should not, however, stop enterprises from finding their own manpower reserves, which would enable them to produce the same amount or even more with fewer people.

This is a necessity. There is no other solution.

To ease the manpower shortage, incomes policy has to be improved, both in the country as a whole and in individual enterprises. Decisions concerning the continuation of wage reform, which is designed to simplify incomes policy and ensure progress in implementing the idea of "a good day's pay for a good day's work" will undoubtedly be made before the Central Annual Plan is endorsed.

About a 17-percent increase in wages is envisaged for 1984. This increase will come from wage rises agreed in this year, allocations from the workers' participation fund and payments related to production and productivity increases next year.

The new Central Plan provides for a tight income policy in regards to both wages in enterprises and those paid out of the state budget. To achieve this, it is essential to restore healthy proportions between wages, production and productivity, to introduce comprehensive budgetary discipline and to apply the mechanisms of the reform skillfully and rationally. These should help guarantee a correct relationship between wages, work and productivity, which is a question of fundamental importance, as is the need to balance wage growth with price increases and the rise in living costs, which should not exceed 15-17 percent in 1984.

The primary objective of this policy is to maintain real wages at their previous level or allow them to increase slightly in 1984 (compared to this year) and to check inflation which always destroys the incentive function of wages and leads to a wild race between wages and prices. A tight income policy is the best way to remedy the situation.

CSO: 2600/495

MORE GOVERNMENT AID URGED FOR PORT OF SZCZECIN

Gdansk TECHNIKA I GOSPODARKA MORSKA in Polish No 10, Oct 83 pp 495-496

[Article by Marian Rubinowicz, Szczecin-Swinoujscie Port Authority: "PRL Marine Policies: Basic Problems of the Szczecin-Swinoujscie Port"; condensed version of a paper presented at the scientific-technical conference of the Chief Technical Organization in Szczecin, "Technology in the Service of National Marine Policy," 24 June 1983]

[Text] An increase in volume of port services depends mainly on cargo turnover in shipping resulting from foreign trade activity and transit transshipping. In this connection, as distinct from other branches of the economy, seaports have a very limited range in developing volume increase. At the same time, in the area of quality, ports must serve long-distance transport efficiently and adapt parameters of their equipment and technical services to its growth. Cargo turnover in the ports is, therefore, a reflection of the activity of the country's economy and of booking of transit services.

In recent years, 90% of the turnover in our ports was turnover of Polish foreign trade with countries of the dollar zone. Crisis limitations of this turnover resulted in unused transshipment capacity in our ports. To exploit this capacity, intensive efforts are being made to obtain cargo transshipments, especially from our southern neighbors.

The dimensions of transit services, however, depend heavily on the transshipment capabilities of PKP [Polish State Railroads], and on the capacity of the railroads of the countries where the transit shipments originate.

Taking into account the interdependencies mentioned and the resulting difficulties in making a prognosis of development of cargo turnover as a basic strategy for ports, we assume that the present transshipment-storage potential will be maintained. This is a task that is only seemingly easy. Former principles of financial policy made it impossible to generate the means necessary for current replacement of capital expended. Therefore both transshipping equipment and the more capital-intensive equipment, namely hydrotechnical and structural equipment, have undergone serious decapitalization. This situation can be portrayed using the example of the state of transshipping equipment in the Szczecin-Swinoujscie port complex, which is as follows:

- equipment less than 10 years old: 16 pieces (13.8%),
- equipment 10-20 years old: 61 pieces (52.6%),
- equipment 20-30 years old: 7 pieces (6.0%),
- equipment more than 30 years old: 32 pieces (27.6%).

According to entries on the inventory books, of the 116 cranes listed, 99, or 85.3%, are completely (100%) depreciated. In this situation, in order to maintain its potential, ZPSS [Szczecin-Swinoujście Port Authority] employs a technical-repair force of almost 1000 workers.

It would seem that as a result of the reform introduced, a management organization like the Port Authority would have freedom in conducting renovation activities. But two basic difficulties hinder this. The first is obtaining and distributing funds, and the second the possibility of purchasing equipment from the countries that produce it. Difficulty in earmarking funds from the development fund for renovation is due to the need to finish the coal base Swi-IV, started earlier, and to finance it from the same source. This is necessary because there is a complete supply of imported subassemblies and equipment at the building site, and the costly foundation work has almost been completed. From the point of view of basic principles of economy, this situation--like equipment designed for a specific space that cannot be adapted to other purposes--forces ZPSS to continue this construction and to assemble the elements at hand on the foundations that have been built. The effects of concluding this investment will be expressed in the form of a substantial decrease in time required for servicing carriers.

A second renovation difficulty, as was mentioned, is caused by the fact that there is no possibility of purchasing transloading equipment in this country in adequate numbers and quality. Speaking only of port cranes, 50 of these will be needed by the Szczecin-Swinoujście Port Authority by 1990. Similar numbers obtain in the Gdynia and Gdansk ports. It follows that Polish ports could jointly guarantee profitable continuous production of this equipment. After repeated negotiations for procurement of necessary equipment with many Polish plants that have the capacity to produce it, the ports reached the conclusion that for the manufacturers the potential orders are buffers that fill gaps in their basic production.

Not replacing depreciated equipment will cause the following drop in the transshipping capability of the Szczecin-Swinoujście ports by 1990, in specific cargo groups (in millions of tons):

Cargo group	With replacement	Without replacement
Total	18.75	13.05
Coal	8.35	5.70
Ore	2.70	1.60
Other bulk cargo	4.50	3.05
Grain	0.80	0.80
Lumber	0.45	0.45
General cargo	1.95	1.45

The principal investment policy mistake that the Port Authority might make would be to limit itself, even in the face of the crisis, to a simple replacement of assets. It is for this reason that ZPSS is undertaking replacement-modernization activities that will also improve our services. The basic criterion for evaluating the work of a port, besides the volume of transshipping, and perhaps even more importantly, is the quality of servicing carriers and cargo.

We must state that the quality of the work of the Szczecin-Swinoujscie ports, measured by the index of speed of servicing ships and other carriers, has improved decidedly in recent years. For example, in comparison with 1978, the index of road-to-road servicing per 1000 tons for all groups of cargo was improved in the first half of 1982 by approximately 6 hours (from 24.33 hours to 18.45 hours), and in specific cargo groups, as follows, approximately: coal, by 1.20 hours; ore, by 6.30 hours; other bulk cargo, by 13.20 hours; grain, by 36 hours; lumber, by 18 hours; and general cargo, by 3 hours.

In the aggregate, in the Szczecin-Swinoujscie ports during the first half of 1982 as compared with 1978, the time ships spend in port decreased by approximately 57,200 ship-hours. Graphically speaking, thanks to the improvement of quality of work in the Szczecin and Swinoujscie ports, Polish shipowners gained 7 ships on an annual basis. There is no need to explain to anyone what a gain of 7 ships a year without any investment means to shipowners. Similar effects, although they are more difficult to compute, were realized by PKP as a result of faster servicing of cars.

ZPSS is also undertaking activities aimed at improving the quality of port services in Swinoujscie for ore and phosphorus-containing raw materials (Swi-IV and Swi-III). There is a clear shortfall in the functioning of both bases in the area of shipping these cargoes by rail to outlying areas. The capability for loading ore into cars is small, and the Swi-III base for phosphorus-containing raw materials was built for transshipping cargo from the port exclusively by barge to the Police Chemical Plants and to other plants accessible by inland waterways. The present, almost exclusively one-way (to the ports) use of the railway line to Swinoujscie justifies building suitable equipment that would make it possible to load cars in the Swinoujscie port with that freight for the return trip. Moreover, such installations are indispensable for booking transit transshipments. The Szczecin port is especially interested in developing transit services. This is due specifically to its location with respect to European countries that have no access to the sea, e.g., Czechoslovakia, Hungary, and Austria. Transit brings many benefits, not only to the port but also to other enterprises participating in its servicing. In 1981, the Szczecin-Swinoujscie Port Authority share of transit turnover for all Polish seaports was 70%. In 1982 almost every fourth ton transshipped at ZPSS shores originated with transit contractors. In this respect, the reaction of the Szczecin port to the transit problem is different from that of other Polish ports, and different from that of other enterprises serving port turnover, as for example, PKP, in whose operations transit freight is marginal. It must also be emphasized that, considering the structure of the main seaways, in

marine transport, transit cargo has a tendency to gravitate toward ports lying to the west. This means that if transit cargo is not serviced in the Gdansk or Gdynia ports, then it may pass to Szczecin, but if Szczecin does not service it, then it will be received by the port in Rostock or in Hamburg. In recent years Szczecin has lost an increasing number of transit cargoes to these two ports. In 1965 the port of Szczecin serviced 2.5 million tons of Czechoslovakian cargo, in 1981, scarcely 1.5 million tons. During the same period, the Rostock port increased its Czechoslovakian transit cargo from 0 to 1.4 million tons, and the Hamburg port, from 1.4 million to 2.7 million tons. It must be emphasized here that at the same time, Czechoslovakian overseas traffic increased from 6.6 million tons in 1965 to 9.3 million tons in 1978. Thus, not only was all the new Czechoslovakian foreign trade traffic directed to foreign ports, but so was a portion of the cargo serviced in the past by the Szczecin port. This is happening primarily because of undercapitalization of the Szczecin port and uneven development of the whole national transport chain. The greatest number of limitations in transit servicing appear in the PKP network.

A deciding element in booking transit is the time factor, which, considering the short distance from Szczecin to Prague or Budapest in comparison with Hamburg or Rostock, should give preference to Szczecin, but because of lack of warehouse area in the port, constant deficiencies in freight cars, and interruptions in the smooth flow of transit cargo over the PKP network, the time it takes cargo to reach the receiver in Czechoslovakia or Hungary, is significantly longer than when the cargo is received in Hamburg or Rostock. We do not know the economic accounting of transit servicing on a national scale, but with the port of Szczecin as an example, it seems that transit servicing is a highly profitable activity with respect to both the first and second payments areas.

The difficult financial situation of enterprises engaged in servicing transit, especially ZPSS and PKP, makes it impossible for them to solve, by themselves, the problems connected with the development of the transport infrastructure of the country to a level that would insure efficient servicing of transit cargo. In this situation help from the government is necessary. Beyond that, creation of conditions for transit development would require a properly formulated and effectively realized national transit policy expressed specifically in:

- a) establishing general trends and principles of procedure with respect to specific transiting countries and separately for existing variants in the Polish transport system;
- b) establishing suitable principles for a discount policy;
- c) treating transit services like export of material goods;
- d) initiating and then creating legal, organizational and financial conditions for using capital of transiting countries for joint capital construction at the port.

Construction designs for ports are very capital- and time-intensive. To realize them, it is necessary to take advantage of all the opportunities created by the economic reform. Since in 1983-85 ZPSS will be in a position to finance from its own funds only approximately 30-40% of a minimal construction program, it will be necessary to undertake joint construction with other participants in the port turnover, who in a very real way benefit from realized port construction. To illustrate this problem, we must say that as a result of adapting the Hutnik shore in Swinoujscie to transshipping of ore, anticipated in ZPSS plans for 1983-85, there will be moderate effects: savings for specific participants in the port turnover; Polish foreign trade will save approximately 200 million zlotys; shipowners, approximately 200 million zlotys per year; PKP, approximately 100 million zlotys per year. Also, the so-called Szczecin-Swinoujscie ore bridge will be eliminated, and this will save approximately 150 million zlotys annually.

In cases where port turnover enterprises have no funds of their own for development, they will not be in position to finance joint investment in development enterprises indispensable and effective for the whole national economy; it will be necessary to obtain grants such as are being created by the decree of the Council of Ministers of 28 June 1982. Exploiting this potential will require close cooperation and help from UGM [Office of Materials Management].

The problems presented pertain mainly to cargo turnover connected with the activity of relatively stable branches of industry, specifically mining and metallurgy. The situation is different with respect to needs in the area of potential for general cargo. Turnover of this cargo group in port is the result of activity of the whole national economy.

Inhibited by the crisis, the former constant growth in transshipments of general cargo is also characterized by dynamic qualitative changes. Shipments that are combined, containerization, increase in unitary cargo, etc., require parallel technical and technological updating in these port services. In this area, the port of Szczecin has especially urgent needs. The only temporary road-to-road station built thus far on the Czechoslovak shore, nota bene, at the cost of conventional general cargo, has an insignificant potential for modern transshipments.

The work technology in a containerized system requires, first of all, large storage and movement areas. Actually a station built for containerized cargo should occupy 10 ha of surface area. But space organization and existing cargo buildings in Szczecin make it impossible to convert the buildings into stations for containerized cargo. It is desirable to keep the existing general cargo potential for the constant flow of conventional shipments, and to build stations for containerized shipments in more suitable locations, as has been done in many large ports. We have developed concepts, and documentation is far advanced for the successive construction of a modern area of transshipping of unitary general cargo on suitable terrain in Ostrow Grabowski. But continuation of this developmental trend requires crossing an important investment threshold.

It is a task which, like Port Polnocny, should be undertaken by the whole national economy which it will serve.

The following conclusions proceed from the possibilities presented and the needs coupled with the realization of the PRL marine policy:

- 1) credits drawn for construction of specialized bases in Swinoujscie should be amortized earlier;
- 2) production of port equipment should be included in the national industry on a larger scale;
- 3) ports should be given adequate grants for building new stations for serving vessels;
- 4) proper priorities should be established for national transit policies.

2950

CSO: 2600/378

ECONOMICS SOCIETY MEMBERS BEMOAN FLOUNDERING REFORM

Warsaw RZECZPOSPOLITA in Polish 16 Dec 83 p 5

[Text] What do the economist members of the Polish Economics Society [PTE] think about the progress to date and performance of the economic reform? What has been their contribution to work on the reform? These questions, in addition to administrative matters, were the items of business on the agenda of a plenary session of the Main Board of the PTE and the Society's Main Council held on 15 December. The meeting, which was attended by, inter alia, professor Czeslaw Bobrowski, chairman of the Main Council, was chaired by PTE president Tomasz Afeltowicz.

The main topics to be addressed during the discussion period were outlined in a document which had been prepared in advance. Some of the participants in the debate regarded this document as being too general and as having failed to do a proper job of prioritizing the problems which are being encountered by the economic reform. Many statements were made--most of them in sharply worded tones--that took issue with the views expressed in this document. It was pointed out that the most important feature of the reform is that it is supposed to place business enterprises under the self-regulating control of the marketplace. However, this equilibrium has not yet been achieved. Under these circumstances, economic terms of reference, e.g., profits, lose all meaning. This equilibrium, it was stressed, will not come about solely by resorting to price controls.

In the course of assessing the impact of the economic reform professor Wiktor Herer went so far as to say that the reform is not working and that the friends of the reform should realize this while there is still time so that they can rescue it. Other participants in the debate took issue with this claim.

During the debate reference was made to the issue--one which was also covered in the aforementioned document--of the alarming development represented by the broadening of the powers wielded by the branch-sector ministries and the lack of coordination in the actions being taken by functional ministries.

Professor Jan Mujzel expressed his opinions on the second phase of the economic reform program. Notwithstanding a number of changes for the better (in the taxation system, the acceptance and introduction of enterprise-initiated pay schedules, and new rules governing conversions and working

capital credits), it has been noted that many of the elements in this system have fallen victim to "over-regulation." The reform does not embrace the entire economy. In effect, it does not embrace the socialized sector of the economy, and this too is one of the reasons why it is not working.

Professor Czeslaw Bobrowski stated that both objective factors, which could be entirely foreseen, and subjective errors have had an adverse impact on the reform. What in effect has happened is that a system of institutional machinery has grown up around the reform that is both at odds with transitional legislation governing the form and also inconsistent with the ultimate objectives of the reform. Moreover, the reform in and of itself is not going to solve any of our problems. What is needed is a clearly defined set of economic policies, something which has been missing.

The debate was summed up by docent Tomasz Afeltowicz, who also briefed the audience on the current status of work on legislation pertaining to the economic reform.

CSO: 2600/516

NEW 'URSUS' FOUNDRY COMMISSIONED IN LUBLIN

Warsaw RZECZPOSPOLITA in Polish 16 Dec 83 pp 1, 4

[Text] On 15 December the newly built metallurgical plant in Lublin, which is subordinate to the "Ursus" Tractor Industry Association, turned out its first cast iron pieces; castings were made for the first cylinder heads to be installed in tractors being manufactured under foreign license. This marked the startup of the plant's first production lines which are slated to turn out more than 5,000 tons of castings over the course of next year. This output is expected to meet demand for these kinds of structural pieces on the part of the domestic tractor manufacturing industry. This will make it possible for "Ursus" to boost its tractor output by 3,500 units, in addition to enabling it to produce 10,000 units of the advanced Perkins engine.

The Lublin foundry ranks among the biggest and most advanced in Poland, and it is one of a handful of such plants around the world in which process engineering operations have been totally automated. The two-story factory building covering an area of approximately 11 hectares is equipped both with Polish-made systems and also with world-class systems manufactured by Swiss, Danish, and English firms.

Vice premier Zbigniew Messner, member of the PZPR Central Committee Politburo, was on hand to offer thanks to all of the many contractors from all around the country. The commissioning of this Lublin colossus was commemorated with a special plaque. The plaque was unveiled by Tadeusz Porebski, Politburo member and secretary of the PZPR Central Committee, and Wieslaw Skrzydlo, first secretary of the PZPR Voivodship Committee in Lublin.

Many of the contractors who made strong contributions to the construction of this foundry were presented with high-ranking awards conferred by the government and individual ministries. Officers' Crosses of the Order of Polonia Restituta were awarded to Henryk Jasinski and Wieslaw Szczypka.

The ceremonies were attended by Edward Lukosz, minister of the metallurgical and machine building industries.

CSO: 2600/515

FIRM EXECES MEET TO AIR COMPLAINTS OVER CENTRAL PLANNING CONSTRAINTS

Warsaw ZYCIE GOSPODARCZE in Polish No 45, 6 Nov 83 p 3

/Article by Marek Misiak: "Enterprises and the Center"/

/Text/ A national conference of economists on the topic of "The Enterprise and the Economic Reform, Experiences and Prospects" took place in Wisla from 20-22 October 1983. Participants in the conference were drawn mainly from among employees of enterprises. Thus, there is nothing strange in the fact that the dominant point of view represented during the discussions was that of the enterprises, and that the critical comments were directed above all to the top, to the central authorities. Although this is certainly a one-sided point of view, it is still worth reporting. The ailments and contradictions of the economic and financial systems are revealed more clearly on this level than anywhere else.

The conference was national in its scope and its motto was "The Enterprise and the Economic Reform, Experiences and Prospects." It was organized by the Katowice chapter of the Polish Economic Society and the meetings were chaired by Prof Teodor Kramer, chairman of this chapter.

The participants of the conference (there were approximately 400) came mostly from the enterprises (half of them were directors of enterprises). Together with the invitation, the participants received copies of papers discussing the problems of employment and productivity ("The Economic Reform and the Employment Policy" by Prof Wieslaw Krecik; "The Problems of Employment and Productivity in the Light of Economic Practice" by Roland Stasiak), the problems of wages ("The Reform of the Wage System at an Impasse" by Prof Stanislaw Bobrowska; "The Modification of the Wage System in an Enterprise Using the Example of the System of Wages in an Enterprise" by Dr Janusz Zadecki), the problems of costs and prices ("Selected Problems of Costs and Prices" by Dr Bernard Binkowski; "From the Problematics of Costs and Prices in an Industrial Enterprise" by Konrad Brzek), the problems of credits and financing ("Problems of Credits and Financing" by Prof Jozef Szyrocki; "Credit Problems in the Economic Activity of Enterprises" by Helmut Kopalinski), the problems of the market ("The Economic Reform and the Market Situation" by Prof Bronislaw Miszewski; "A Light Industry Firm in the Conditions

of the Economic Reform" by Bronislaw Masior). In addition, the participants of the conference listened to an introductory speech by Prof Wladyslaw Baka entitled "The Present State of Implementation of the Economic Reform."

What About the Central Bureaucracy?

A particular large number of critical remarks were directed at the sectional-branch ministries and the various satellite organizations created around them, which are designed to replace the old associations and head offices. According to the economists, the restructuring of the central bureaucracy is taking place very slowly and inconsistently.

The conclusions of the conference stated that "this year, the sectional-branch ministries have been granted more powers than the previous year, and the plans for the next year extend these powers even further. Especially disquieting is the broadening of their authority to make decisions on their own recognizance. Any further continuation of the tendency to broaden the powers of the sectional-branch ministries will constitute a real danger to the economic reform."

The representatives of the enterprises have a number of reservations about the form of control inspired by the central institutions. They consider them very time-consuming, and at the same time, it was claimed, these controls rarely concern compliance with the legal regulations adopted by the Sejm, and usually concern the secondary regulations, often of dubious legal status.

The enterprises are struggling with a shortage of labor. The sources of this have been discussed here on numerous occasions and we will not repeat these arguments. But we must make a note of a very critical attitude towards the recently introduced obligatory reliance on employment offices. The conclusion of the conference stated that "...this constitutes a blatant error of the economic policy." It was stated that the possibility of the rationalization of employment by administrative means is an illusion. The attempt to introduce solutions of this type constitutes a limitation of the independence of enterprises.

Occasionally, people are required to exert particularly heavy effort or to work with uncommon precision. There must be a possibility of taking this into account in the appropriate differentiation of wages. In the meantime, the central bureaucracy offers various bits of good advice, but it cannot replace the directors of the enterprises in their work or free them of their responsibility for its results. This responsibility is both moral and material.

In this context various, generally inconsistent attempts on the part of the central bureaucracy aiming to check wage increases by the retention of various limitations on the independence of enterprises

were negatively evaluated. These attempts do not create a practically felt barrier to the expenditure of money, but they effectively check motivation to produce more and to be more efficient. Having at their disposal limited possibilities of increasing wages, the enterprises should at least have the possibility of regulating them flexibly within their firms.

According to the representatives of the enterprises, the interference of the central administration in the wage policy should be limited to the setting of the minimum monthly wages, while compensatory taxes should be the only means of regulating the upper limit of wages.

It was said that the blocking of advance payments from the profits in 1983 brought more harm than good. Until the end of August these advance payments could be made legally, so that those who were less restrained in paying them were able to pay out more. But it is precisely in the fourth quarter of this year that there are more economic reasons to make such advance payments from the profits than there were in the previous quarter.

Stabilize the Rules

The participants of the meetings in Wisla also demanded that the rules of the systemic game, especially those for 1984, be fixed as soon as possible and stabilized. Thus, it was expected that the introductory paper of Minister Baka would contain information about some concrete systemic solutions for the coming year.

Unfortunately, the discussants were doubly disappointed, since the minister could not participate in the otherwise very interesting discussion part of the conference.

The delay in providing information about the systemic regulations for the coming year limits the possibilities of preparing production and conservation plans in the enterprises, and this will lead to worse economic results in the coming year. In this part of the discussion, the dissatisfaction of the directors of the enterprises was especially visible. They are of the opinion that their needs are insufficiently known and understood by the central administration.

This is the source of a note in the final document of the conference: "The information about the general directions of changes in the systemic solutions in 1984 is insufficient from the point of view of the needs and interests of the enterprises. The enterprises should receive detailed parameters defining the conditions of their activities, especially the binding regulations concerning official prices, before the end of November 1983."

The participants had no illusions that the stabilization of regulations is a simple task. After all, this involves the formulation of principles which would ensure economic equilibrium, and thus also limit the

possibilities of increasing profits and payments from profits without any real improvement in the productivity of the enterprises. Nevertheless, actions which have been undertaken in order to decelerate the inflationary spiral have been judged to be insufficiently consistent and effective. It was pointed out that the increase in wages continues to exceed the growth of productivity and of the volume of production. Not only the liberal distribution of tax exemptions, but also the excessive growth of the system of subsidies which support enterprises which are unprofitable act as an inflationary factor.

"The existing market situation undermines the effectiveness of the reform and is a threat to it." The conclusions also stated that "the conception of restoring health to the market by obligatory mediation in turnover, and by the increased interference of the economic administration in the enterprises' right to set prices, raises serious doubts."

It was said that the promised elimination (or the limitation) of regulated prices is a decision which came at least a year too late. The official prices were also negatively evaluated. The issue of prices generated great emotion, which should not be surprising since the method of setting prices has an important influence on the economic situation of the enterprises. Therefore, enterprises fight to extend the sphere of contractual prices. This found expression in the thesis included in the conclusions: "The only pricing formula consistent with the premises of the reform is the contractual price." It seems, however, that the existing market situation and the social ramifications of the reform were not taken into account in the formulation of this thesis.

Soft Financing

During the discussions in Wisla there were no attempts to conceal the fact that the enterprises can resort to excessively easy and often accidental possibilities of increasing their profits. This thesis is not a discovery, but, coming from representatives of the enterprises, it constitutes a proof of realism which is worth emphasizing.

The director of a certain metallurgical firm admitted that in his enterprises the profits are so high that their further growth would lead only to an increase of contributions to the budget. In these conditions, the enterprise is interested in delineating further increases in profits, and in order to accomplish this the buyers of its products were offered price rebates. The buyers strongly opposed this. What does the grotesque situation say about the existing systemic principles?

The representative of the provincial branch of the Polish National Bank in Katowice stated that enterprises in this region have 45 billion zlotys of profit to be divided, and the problem is not how

increase the profits further but how to divide them in order to designate an appropriate part to increase the wage fund while complying with the regulations.

It was said during the discussion that the tax system is operating schematically, so that when the profits are high only a minute portion of any further increase remains under the disposition of the enterprise and the employees gain practically nothing from it.

One of the discussants described a case which showed that the saving of scarce materials valued at tens of millions of zlotys brought the enterprise a financial profit which allowed them to divide only 12,000 zlotys among the employees.

In reference to the finance and credit systems, the discussants claimed that while the first one is still "soft," the second continues to furnish chance money. Will the new instructions concerning credits for 1984 improve the situation? The discussants in Wisla hoped that this would be so. It is worth nothing here, however, that one should not deceive oneself by believing that all inefficiencies in the remaining elements of the economic mechanism and in the economic policy can be corrected with the help of only one instrument (bank credit).

The abandonment of the sharply progressive income tax system found approval among the discussants. There were fears, however, that the proposed linear-quota tax system will prove overly complicated. On the other hand, there was a definitely negative attitude towards the discretionary character of the various reductions and exemptions from taxation, including the taxes for FAZ /Professional Activation Fund/. The directors believe that there is a serious danger of the system becoming lost in the cacophony of various exceptions.

Examples proving how accidental and subjective are the reasons used to justify reductions and exemptions were cited. Many appeals lodged by the enterprises get stuck in the bureaucratic mail. Sometimes the answers come much too late, and sometimes it is not exactly clear what conclusions should be drawn from these answers. Then it is necessary to travel to Warsaw. In delegation for interpretation.

Here we should also recall again the known correlations: the need to motivate leads to greater pay, these increases are not matched by the increase of supplies to the market, so the rate of inflation goes up; when the rate of inflation is high it is difficult to create any measures or productivity of the enterprises which would not be burdened with an excess of subjective regulations.

Is there, then, no way out? It seems that in these conditions the solution may be a choice of compromises which would not, however, be

✓ adopted at any price. It is probably possible to limit some of the not-too-effective central regulations of the economic mechanism and the not-too-effective control organizations supervising the enterprises. The modifications of the economic and finance system for 1984 and the following years should bring elements of objectification and simplification of this system, which would bring greater hope that in the future they could have a more stable and permanent character.

The central administration sees, above all, dangers connected with the limitation of the excessively developed methods of regulation and control. The critique of the insufficient effectiveness of these methods is seen from the center mainly in terms of particularistic motivations of enterprises, which would like to have the possibility of increasing their wage funds. What is less visible to the central administration is the limiting influence of centrally imposed regulations and controls on the productivity and efficiency of the enterprises, which also, and perhaps even above all, leads to the lack of equilibrium and to its destabilization of the economy. In the enterprises, on the contrary, the dangers connected with internal wage pressures are felt less acutely, while the negative effects of excessively developed methods of central regulation and control are perceived as more serious. The voice of the enterprises, even if it is biased, like all opinions coming from a single point of view, should not, however, be disregarded by the center.

The discussants also voiced their regrets over the limitation of enterprise self-management.

The final sentences of the conclusions from the conference read: "Despite the numerous shortcomings in the implementation of the reform, the participants of the conference remain convinced that there is no alternative solution. All attempts to return to centralized methods of managing the economy can only lead the economic crisis into a new, dangerous and more difficult phase."

12495

CSO: 2600/329

END